



L&T Financial Services

FINCLUSION

EMPOWERING WOMEN THROUGH
DIGITAL FINANCE

CONTENTS

- 4** Table of Figures
- 5** A Message from L&T Financial Services' Managing Director & CEO
- 7** Executive Summary
- 15** Introduction - Digital Finance in India
- 18** Digital Finance and Women: An Overview of the Landscape
- 20** Digital Financial Services and Women: Challenges and Barriers
- 24** Digital Sakhi: Women agents for women empowerment through digital finance
- 30** What works: Key learnings from Digital Sakhi and other programmes on digital finance
- 44** Way Forward
- 47** Appendix



TABLE OF FIGURES

Fig. No.	Figure Description	Pg. No.
1	Growth of bank accounts under the Pradhan Mantri Jan Dhan Yojana	7
2	Flagship initiatives for digital transformation by the Government of India	8
3	The Digital India Programme	8
4	The Digital Sakhi journey from access to adoption	11
5	The Women Entrepreneurs Implementation Model	12
6	Digital Financial Ecosystem	17
7	Map: Digital Sakhi Programme in Maharashtra	24
8	Map: Digital Sakhi Programme in Madhya Pradesh	26
9	Digital Sakhi Track Project Implementation Model	26
10	Women Entrepreneurs Track Project Implementation Model	26
11	Digital Sakhi Theory of Change Model	28
12	Digital Sakhi: Awareness about Primary Beneficiaries in Maharashtra After One Year of the Programme	31
13	Digital Sakhi: Monthly Household Budget at Baseline in Odisha	32
14	Digital Sakhi: LTFS Financial Literacy Modules	33
15	Digital Sakhi: Monthly Household Budget Baseline and After One Year of the Programme in Maharashtra	34
16	Digital Sakhi: Maintenance of Household Budget- Baseline and After Six Months of the Programme in Madhya Pradesh	34
17	Digital Sakhi: Monthly Household Savings- Baseline and After One Year of the Programme in Maharashtra	35
18	Digital Sakhi: Awareness about Insurance Schemes and Pension Schemes After One Year of the Programme in Maharashtra	36
19	Digital Sakhi: Awareness of Insurance Products at Baseline in Tamil Nadu	36
20	Digital Sakhi: Usage of Digital Modes of Payment After One Year of the Programme in Maharashtra	37
21	Digital Sakhi- Usage of Digital Modes of Payment at Baseline in Tamil Nadu	39
22	Digital Sakhi: Source of Loans Availed at Baseline in Odisha	40
23	Digital Sakhi: Source of Loans Availed- Baseline and After One Year of the Programme in Maharashtra	40
24	Digital Sakhi: Penetration of Mobile Phones at Baseline in Odisha	41

A MESSAGE FROM L&T FINANCIAL SERVICES' MANAGING DIRECTOR & CEO

It is with immense pride that I present our thoughts on empowering women through digital finance tools, by way of this whitepaper. Financial literacy amongst women and an ability to use digital finance tools has been witnessed to have a multiplier effect on the overall socio-economic fabric of rural communities. At L&T Financial Services (LTFS), we have been on an exciting journey in transforming lives across rural India.

In 2017, the Sustainable Development Goals (SDG) Business Forum recognised the critical role of business in delivering on the promise of sustainable and inclusive development. Combining the digital financial inclusion vision with gender equality, both of which align with the UN SDG goals for sustainable development by 2030, LTFS has embarked on programmes that effectively combine our business expertise with the social goals of empowering rural economies by leveraging India's digital finance infrastructure. We have introduced CSR thematic programmes in Integrated Water Resource Management and Digital Financial Inclusion to enable rural marginalised communities to earn sustainable livelihoods and participate in the mainstream economy.

The LTFS 'Digital Sakhi Programme', which began in 2016, combines women empowerment and digital finance. It has been inspired by a globally transformative movement of using technology to empower low-income groups. India has taken some of the most concrete steps in this direction. The Pradhan Mantri Jan Dhan Yojana, Aadhaar and mobile penetration have enabled access to banking and finance for millions of underserved communities at the base of the pyramid. This digital revolution however, has a lot of ground to cover across rural India, and this is where we at LTFS seek to bring about a significant change. Another key area in need of accelerated change is gender equality — India ranks 120 among 131 countries in female labour force participation rates; and gender



violence rates still remain perceptibly high. Women's economic empowerment translates to a chance for them to work their way out of poverty, and bring in significant community empowerment as they continue to invest in their family and children.

The Digital Sakhi programme is already creating huge positive gains for rural women in communities in Maharashtra and Madhya Pradesh, giving us the confidence to scale up our engagements in Tamil Nadu and Odisha this year.

A mission as large as catalysing rural development in India is a daunting task to undertake alone. Through this transition we have had many collaborators walk with us – our colleagues, social purpose organisations, and of course, the communities involved. Each one of them has helped to shape this journey, and thereby shape the future of digital financial inclusion in our country.

Finclusion: Empowering Women Through Digital Finance is the story of the rapidly growing digital financial landscape in India, and how focusing on rural women for digital financial inclusion benefits them, their families, their communities, and the ecosystem at large. Through the whitepaper, we present our learnings garnered over the past two years from across remote rural communities in two of the biggest states in India.

We would be delighted to hear your feedback and thoughts on our experience.

Thank you for reading. We look forward to partner with you in this journey of enabling the change agents of rural India, its women.

Dinanath Dubhashi

*Managing Director & CEO
L&T Finance Holdings Ltd.*

EXECUTIVE SUMMARY

The dynamic financial services sector of India has been rapidly growing over the last few years. There has been a significant push particularly over the last five years to move India towards greater financial inclusion, particularly through digital means which are cost-effective, secure and can bring the unbanked population into the financial mainstream. Under the Pradhan Mantri Jan Dhan Yojana (PMJDY) programme which provides access to affordable and far-reaching financial services for the rural population of India, 315 million new bank accounts have been opened between Jan 2015 and April 2018¹.

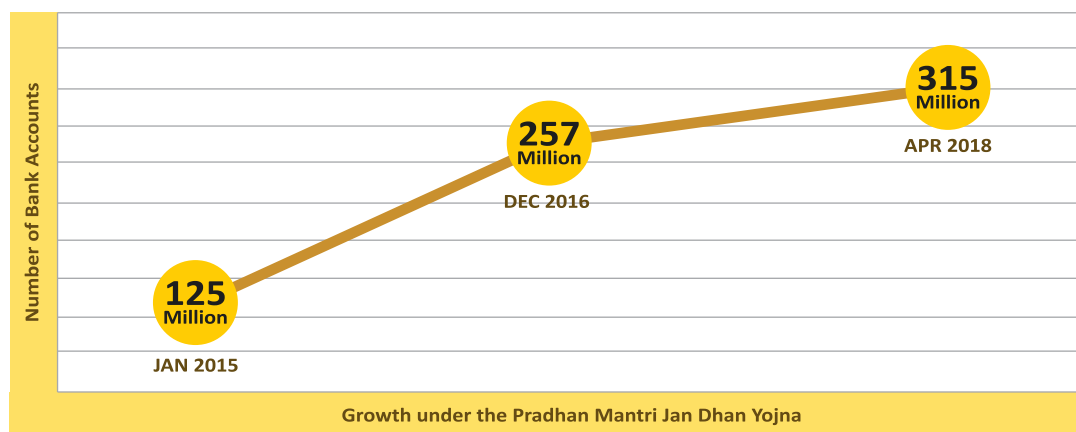


Figure 1: Growth of bank accounts under the Pradhan Mantri Jan Dhan Yojana.

Source: npci.org

The programme began in 2009 when UIDAI (Unique Identification Authority of India) issued Unique Identification Numbers (known as Aadhar) with a goal of linking millions through a common ID and a UPI interface that enabled a platform of useful digital financial services to be delivered through just a feature phone. In the past nine years, it has launched various digital programs related to Aadhar, including Aadhar Enabled Payments System (AEPS) in 2011 which uses the Aadhaar number as a central key for electronically channelising the Government benefits and subsidies, and UPI (Unified Payment Interface) to “revolutionize digital payments in India”² in 2016.

There has been a heavy policy focus by the Government on Digital India, looking at “9 pillars”³ or focus areas, namely IT for jobs, access to E-governance, access to mobile, information for all, E-kranti, Early Harvest program, PIAP, Broadband Highway, and electronics manufacturing⁴.

¹ State of Aadhar, “All PMJDY Account-related Data”, April 2018

² IBID

³ Deloitte, “Digital India Unlocking the Trillion Dollar Opportunity”, November 2016

⁴ IBID

Through the Direct Benefit Transfers, over INR 168 crores worth of transactions have already been conducted in 2018, with benefits under 434 government schemes reaching populations directly through their bank accounts.⁶



Policy Support for Digital Financial Inclusion Ecosystem

Figure 2: Flagship initiatives for digital transformation by the Government of India

**Pradhan Mantri Jan Dhan Yojana, AADHAAR, Mobile Teledensity*

Further, there has been explosive growth in the Indian fin-tech sector, with firms deploying more fin-tech products as these products help in streamlining day to day operations, increasing reach and driving revenue growth, to name a few reasons. The total value of the fin-tech software and services market in India is worth USD 8 billion and pegged to grow 1.7 times by 2020, has generated revenues of USD 1.2 billion in 2015, and is expected to double by 2020⁷.

The Digital India Programme



3 VISION AREAS

9 PILLARS

Multiple initiatives operating at various levels and in various phases of implementation

Figure 3: The Digital India Programme

⁶ Direct Benefit Transfer, Government of India, dbtbharat.gov.in

⁷ Ghosh, Achyuta, "Indian Fin-tech Products- Innovation Driving Growth", NASSCOM, May 16

The private sector has stepped in to work with the government here to help set up an ecosystem to deliver digital financial services to rural households, through a range of technologies that support the public infrastructure.

In its India @75 vision document, NITI Aayog emphasises better compensation to banking correspondents, facilitating paperless banking and introducing financial literacy chapters in school curricula to further spur financial inclusion⁸.

TAKING DIGITAL FINANCIAL INCLUSION TO RURAL WOMEN

In the entire journey of digital finance to empower low-income communities, digital financial inclusion still remains difficult for rural communities, particularly women. There are many challenges that characterise digital financial inclusion in rural India, where most of these initiatives are yet to successfully penetrate.

Challenges in increasing adoption of digital technologies in rural India



Connectivity



Lack of Awareness



Difficulties in Adoption



Reliance on cash



Cost

- Reliable connectivity and networks remain an issue in rural spaces; there are infrastructural challenges relating to cellular networks, internet and electricity.
- There is a lack of knowledge and awareness related to personal finance and financial literacy, including a lack of knowledge of/access to insurance products (to help reduce risk of vulnerable populations), a lack of knowledge of/access to loan products (to steer away from money lenders who take advantage of lesser educated individuals) and a lack of understanding of financial products.
- Many remain unaware of the fact that there are alternatives to the cash-based economy and how to navigate the same.
- While there are people in rural India that are aware of digital financial services, it can be difficult to adopt the use of these services on a day-to-day basis. While some may have the access to these services, however, using them may be difficult as the services and products sometimes do not cater to the less educated users, or may not be in the local language; inadequate training and assistance from last-mile agents makes it significantly more challenging to ensure adoption.
- The rural economy is heavily cash reliant, and given how inter-connected the economy is, every link in the value chain needs to be moved to digital financial services for the ecosystem to operate successfully. It is not

⁸ NITI Aayog, "Strategy for New India @ 75", November 18

enough if only customers use digital financial services; merchants too need to be willing to accept digital financial payments and many are reluctant to do so.

- Some find digital financial services expensive to use, so even if they are willing to consider alternatives to cash, they are still unwilling to switch to digital financial services.

When further considering the digital financial infrastructure in rural India, it must be acknowledged that the “biggest untapped market” is women⁹. If women are provided digital financial services and imparted digital financial literacy, the benefits are multiple-fold. 90% of the money earned controlled by women is reinvested into their households¹⁰, which is money that is spent on healthcare, education and nutrition of the family as well as for income generating activities.

However, there are barriers to this inclusion too;

			
Lower literacy levels and financial awareness amongst women (relative to men).	Social norms in a largely patriarchal rural India where many women are expected to remain in the domestic space, and mobility is low. ¹¹	Women often do not own mobile phones, and many that do are not comfortable using them for financial transactions ¹² .	There is also a lack of women friendly design and delivery when it comes to digital financial services.

DIGITAL SAKHIS TO SPUR FINANCIAL INCLUSION AND EMPOWER WOMEN

Recognising the opportunities for inclusive development through inclusion of women in digital finance, L&T Financial Services initiated a programme in 2016 in line with Sustainable Development Goal 5 which focuses on Gender Equality.

The programme is premised on the Theory of Change of building a network of Digital Sakhis who can educate, influence and help their communities access the digital finance fabric effectively. Beyond providing pathways to formal finance access by rural women in communities, the programme allows women to pursue a path of entrepreneurship and sustain their livelihoods. Digital Sakhis serve as valuable ecosystem assets to take digital financial services of various kinds to the last-mile in rural communities. Digital Sakhis play the role of trusted advisors not just to the women,

⁹ Women's World Banking, “How To Create Financial Products that Win with Women”, 4th September 2018

¹⁰ FAO, “Women hold the key to building a world free from hunger and poverty”, 16th December 2016

¹¹ IMFR & JP Morgan, “Digital Financial Inclusion and Consumer Capabilities in India: A handbook for financial service providers”, September 2017

¹² Omidyar Network, “Currency of Trust: Consumer Behaviors and Attitudes Towards Digital Financial Services in India

but to the larger rural community, acting as a catalyst to help build the connection between the mainstream economy and remote rural populations.

THE DIGITAL SAKHI PROGRAMME: A SNAPSHOT

100 Digital Sakhis were identified from villages across three districts, Pune, Osmanabad and Solapur in Maharashtra. These Digital Sakhis were trained extensively in areas like digital literacy, financial literacy, leadership development and communication skills. The Digital Sakhis disseminate the information they have learned about digital financial services across their villages on a regular basis, reaching 1,00,000 rural population in total.

The ‘Digital Sakhi’ programme also has a second track wherein 1,000 women entrepreneurs practising goat rearing, poultry, dairy, and tailoring are up-skilled in their respective trades and trained in enterprise development by the partner NGO and finally trained in digital financial literacy by the Digital Sakhis. Both tracks are highlighted in the figures below.

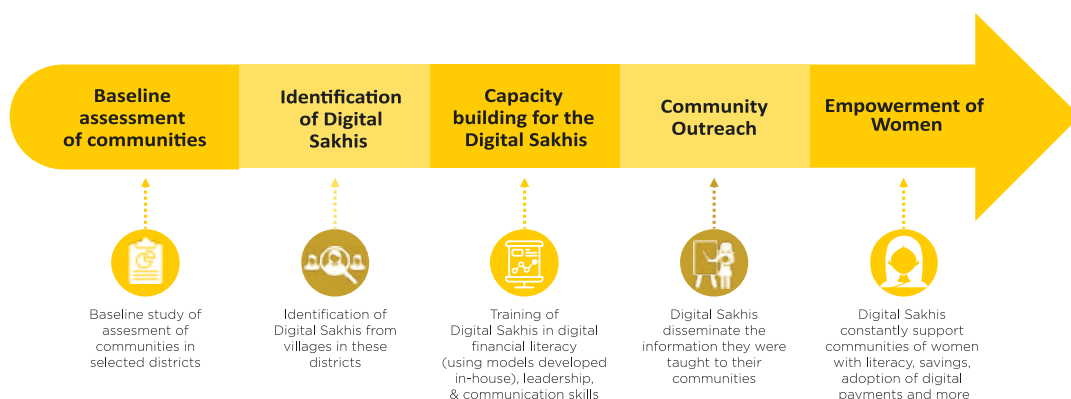


Figure 4: The Digital Sakhi journey from access to adoption

In order to execute on the Theory of Change envisioned and the outcomes planned, we engaged with on-ground partners with deep community expertise and experience in running impactful livelihood programmes. The Digital Sakhi programme was executed through the following model:

- 100 Digital Sakhis were identified from villages across three districts, Pune, Osmanabad and Solapur in Maharashtra. These Digital Sakhis were trained extensively in areas like digital literacy, financial literacy, leadership development and communication skills.
- The Digital Sakhis reached out to the community to discuss their learnings and impart knowledge about digital financial services across their villages on a regular basis, reaching 1,00,000 rural population in total across the time period of 18 months.

- The women entrepreneurship stream trained 1,000 women entrepreneurs practising goat rearing, poultry, dairy and tailoring, who were then up-skilled in their respective trades and trained in enterprise development by the partner NGO and finally trained in digital financial literacy by the Digital Sakhis. Both tracks are highlighted in the figures below.

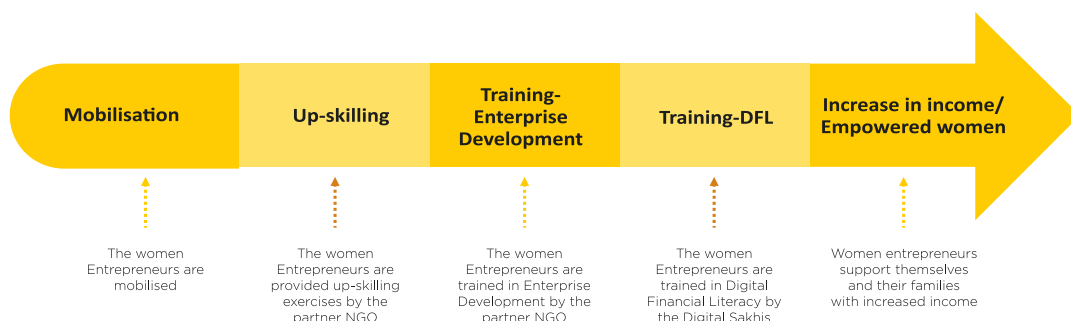


Figure 5: *The Women Entrepreneurs Implementation Model*

The Digital Sakhi programme represents a crucial Theory of Change – enabling empowerment of rural women through digital financial inclusion and provision of relevant digital financial services. By providing experienced partners with a curriculum that was developed by in-house financial experts at LTFS, the programme has allowed for training of trainers who in turn teach the Digital Sakhis using the curriculum. This has resulted in an increased knowledge base for the Digital Sakhis, adoption of good financial practices and an uptake in the use of digital financial services. It also leads to the development of certain skills which the Digital Sakhis are further able to impart to the women entrepreneurs when it comes to using digital financial payments for their businesses. In the long run, there is a change in financial behaviour patterns in the community, as more women become involved in savings, business and financial decisions at home.

The programme has yielded strongly positive results in the first year in Maharashtra, with an increase in digital financial literacy as well as increase in certain personal finance behaviours such as maintaining household budgets, and increasing savings. The success of the programme in Maharashtra has resulted in the expansion of the programme to districts in Madhya Pradesh, Tamil Nadu, and Odisha.

There have been valuable learnings from the execution of the Digital Sakhis programme over the last two years, which we believe are relevant to any programme attempting a digital transformation in rural communities for their advancement:



In order for women to be change agents in their communities, they need to be visible to other community members and be viewed as leaders. This can be brought about through both technical and soft skill training.



Acknowledging that basic financial literacy skills are crucial to digital financial inclusion. The knowledge of expenses, household budgets and savings (to name a few) is required before focusing on digital financial literacy, which can come about through financial literacy (such as a curriculum).



Certain digital modes of payment are found to be easier to understand or easier to use in a rural environment, and so those are more prominently adopted. Debit cards have been found to be the most popular digital mode of payment for these reasons.



The readiness and willingness to take loans is vital; most rely on informal channels for loans, but women need to be willing to consider applying to formal loan.



Male members of the community must be sensitised to the benefits of female members being involved in digital financial activities. This is crucial, given that rural India remains largely patriarchal wherein a woman's mobility is often hindered by other family members. This sensitisation can come from trainings and focus groups.



There are limitations that come with infrastructure in rural India, particularly the lack of bank branches, internet connectivity fluctuations and a lack of smartphone ownership. Any programme looking to cater to rural communities should think of workarounds for the same at the design stage in order to ensure there are takers for the product.

THE WAY FORWARD



The way forward for digital financial inclusion for women in rural India requires collaborations between service providers which will also prove to be beneficial in expanding the reach of initiatives. This kind of collaboration must be across sectors and organisations, with inputs from the Government, private companies, and NGOs to name a few; as each brings its own set of skills and resources to the table.

Further, digital financial service providers to focus more on customised products and services, specially designed for women and rural communities. There is a need for greater focus on adoption of digital financial services by women through a more thorough on-boarding process and support procedures. These steps will help with digital financial inclusion for women, allowing them to become change agents, empowering them, and bringing about benefits to the ecosystem.



INTRODUCTION

DIGITAL FINANCE IN INDIA

India's financial sector, consisting of capital markets, the insurance sector and nonbanking financial companies, is among the fastest growing in the world¹³. Yet, despite the rapid growth of the sector, significant sections of the country's population experience these positive changes at a much slower pace, if at all.

The rural and urban poor of India have largely been excluded from India's rapidly growing formal financial system. High costs of building and operating bank branches in relatively remote areas coupled with the risks of serving clients without official documentation contributes significantly towards this exclusion¹⁴. In this scenario, digital financial services have been identified as a cost-effective and secure means of bringing the rural and semi-urban population into the fold of the formal financial system.

DIGITAL FINANCE INITIATIVES IN INDIA

Digital financial inclusion can be defined as “digital access to and use of formal financial services by excluded and underserved populations”¹⁵. In recent years, there has been a push to move the Indian financial services sector towards digitisation. The drive towards financial inclusion through digitization has also seen the support of the central government through policies such as the Pradhan Mantri Jan Dhan Yojana (PMJDY).

The Pradhan Mantri Jan Dhan Yojana is a financial inclusion program which aims to expand and provide affordable access to financial services such as bank accounts, credit, insurance, pensions, etc. The program has grown at a rapid rate, with the number of bank accounts under the program increasing from 125 million in January 2015¹⁶ to 257 million in December 2016 and to over 315 million in April 2018¹⁷.

On account of having over a billion mobile phones, 325 million broadband connections and 306 million new bank accounts (as of December 2017)¹⁸, **India is viewed as a “leading case study” of the commitment to digital financial inclusion.** In rural India alone, there are 500-million plus mobile connections¹⁹.

The government and regulators have managed to institutionalize the basic

¹³ IBEF, “Indian Financial Services Industry Analysis”, November 2018

¹⁴ IMFR & JP Morgan, “Digital Financial Inclusion and Consumer Capabilities in India: A handbook for financial service providers”, September 2017

¹⁵ CGAP, “Digital Financial Inclusion”, March 2015

¹⁶ Dermiguc-Kunt, Asli, “The Global Findex Database 2014”, The World Bank, April 2015

¹⁷ State of Aadhar, “All PMJDY Account-related Data”, April 2018

¹⁸ Belgavi, Vivek, “2017: The Year of the Customer”, Live Mint, 26th December 2017

¹⁹ Telecom Lead, “Rural India has 500 million mobile phone subscriptions: TRAI”, 12th December 2017

requirements for the development of this ecosystem through JAM trinity²⁰, and Digital India initiatives²¹. The government's early attempts to drive digital financial inclusion however, started with the birth of IndiaStack, a "set of APIs that allows governments, businesses, start-ups and developers to utilise a unique digital infrastructure to solve India's hard problems towards presence-less, paperless, and cashless service delivery"²².

The program began in 2009 when UIDAI (Unique Identification Authority of India) was created with the goal of issuing Unique Identification Numbers (known as Aadhar). In the past nine years, it has launched various digital programs related to Aadhar, including Aadhar Enabled Payments System in 2011 which uses the Aadhaar number as a central key for electronically channelizing the Government benefits and subsidies, and UPI (Unified Payment Interface) to "revolutionize digital payments in India"²³ in 2016.

A heavy policy focus by the Government on the idea of bringing about a Digital India has involved looking at "9 pillars"²⁴ or focus areas, which include:

- 1) IT for jobs
- 2) Access to E-governance
- 3) Access to mobile
- 4) Information for all
- 5) E-kranti
- 6) Early Harvest program
- 7) PIAP
- 8) Broadband Highway
- 9) Electronics manufacturing²⁵

A host of initiatives have been launched to address these pillars, including PMJDY, the JAM trinity and Direct Benefit Transfers (DBT)²⁶. Using DBT, over INR 168 crores worth of transactions were conducted in 2018, with benefits under 434 government schemes reaching populations directly through their bank accounts²⁷.

There has also been great growth in the Indian fin-tech sector, with firms deploying more fin-tech products. These products streamline day to day operations, increase reach and drive revenue growth. **The total value of the fin-tech software and services market in India is worth USD 8 billion** and slated to grow 1.7 times by 2020. Further, USD 1.2 billion was generated in revenue in 2015, and it is expected to double by 2020²⁸.

Over the past decade, supported by rapid technological innovation, the public and private sectors have worked together to set up an ecosystem to deliver digital financial services to rural and urban low-income households. This includes a host of technologies that support the digital ecosys-

²⁰ Krishnan, Aarati, "All you wanted to know about: JAM Trinity", The Hindu Business Line, 2nd March 2015

²¹ Digital India "DI Initiatives", Ministry of Electronics & Information Technology

²² India Stack "About", indiastack.org

²³ IBID

²⁴ Deloitte, "Digital India Unlocking the Trillion Dollar Opportunity", November 2016

²⁵ IBID

²⁶ IBID

²⁷ Direct Benefit Transfer, Government of India, dbtbharat.gov.in

²⁸ Ghosh, Achyuta, "Indian Fin-tech Products- Innovation Driving Growth", NASSCOM, May 16

tem's public infrastructure by enabling digital transactions between banks, like Unified Payment Interface (UPI), Immediate Payment Service (IMPS), and the National Unified USSD Platform (NUUP). In parallel, there has been an emergence of aggregators including Itz Cash, Oxigen, PaySe and M-Pesa that provide digital financial services to the poor.

The infographic below highlights the various stakeholders across the digital financial landscape that deploy digital financial services.

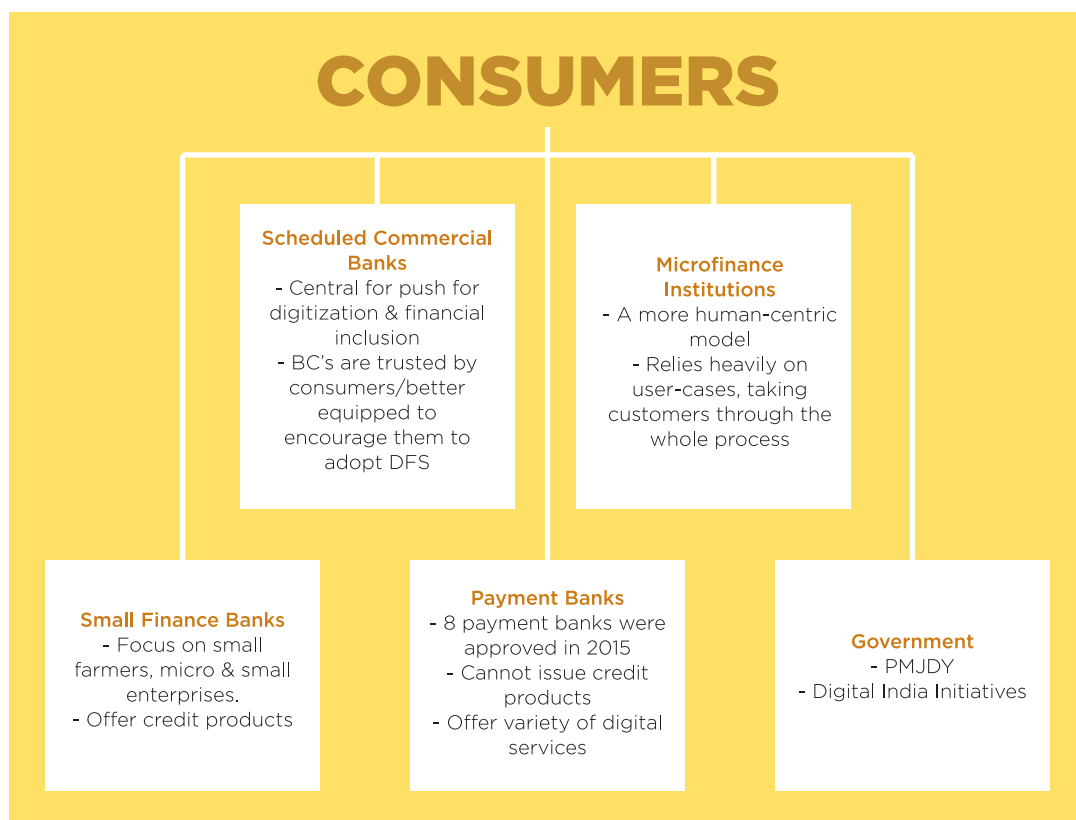


Figure 6: Digital Financial Ecosystem

Women have been identified as key beneficiaries in digital landscapes as they play an important role in both, the urban and rural ecosystem, both as workforce or labour on farm and non-farm related activities and as micro-entrepreneurs. If as many women as men participated in the labour force in India, it could raise the country's GDP by 27%²⁹.

²⁹ PTI, "Gender parity can boost India's GDP by 27%: WEF co-chairs", Economic Times, 21st January, 2018

DIGITAL FINANCE & WOMEN

A LOOK OVER THE LANDSCAPE

Varvand is a village in Pune district, with a population of a little over 12,000 people, located about 70 km from Pune city and 205 km from Mumbai³⁰. The female literacy rate in the state is 30.8%³¹. The financial literacy and especially digital financial literacy rates for women in the village can be assumed to be far lower. In a community like Varvand, women might remain unaware of digital financial services. Many of these women might have no financial decision-making power in their homes and might need “permission” from their husbands to dream of any kind of life away from raising their children and household chores.

However, Varvand is also home to Ms. Sunita Taware, a lady who has been managing a general store along with her husband. With the help of the Digital Sakhi programme by L&T Financial Services, Ms. Taware was introduced to digital financial services and equipped with financial literacy skills. This training empowered Ms. Taware to use the learnings in her general store as well as teach other women in the community about the benefits of digital financial services (DFS).

Providing digital finance to women like Ms. Taware through the programme is a big step in creating a sense of gender parity in India. It has a host of benefits, of which the most important is female empowerment. Women remain a largely untapped source for digital financial service providers and creating tools that cater specifically to them would benefit the providers immensely. After all, the **“biggest untapped market in the world is not China or India or any other country. It’s women.”**³²

However, findings of various studies³³ on DFS reveal that although multiple value chains with significant women participation exist, several barriers obstruct the way to Digital Financial Inclusion. These include low literacy levels, low financial awareness and a knowledge gap on digital transactions.

To ensure that digital financial services are adopted successfully, basic financial literacy is required, followed by the introduction of other awareness and behavioural initiatives targeting the uptake of digital products.

³⁰ OneFiveNine, “Varvand”, OneFiveNine.com

³¹ IBID

³² Women’s World Banking, “How To Create Financial Products that Win with Women”, 4th September 2018

³³ Karlan, Dean, Jake Kendall, Rebecca Mann, Rohini Pande, Tavneet Suri, and Jonathan

Zinman. “Research and impacts of digital financial services”. No. w22633. National Bureau of Economic Research, 2016.

Lusardi, Annamaria, and Olivia S. Mitchell. “Planning and financial literacy: How do women fare?”. American Economic Review 98, no. 2 (2008): 413-17

The aim of these initiatives is to empower women into developing their own financial identity. Helping them gain access to formal credit, insurance and savings could potentially enable them to have economic freedom and power. It could also motivate and enable women to generate sustainable income through micro-activities.

From a socio-economic standpoint, providing digital finance to women does not only benefit them; rather, it has the potential to benefit their households, their communities and the ecosystem at large. **90% of the money earned by/controlled by women is reinvested into their households³⁴, which is money spent on food and nutrition, healthcare, and education of the family, and on income generation activities.**



³⁴ FAO, "Women hold the key to building a world free from hunger and poverty", 16th December 2016

DIGITAL FINANCIAL SERVICES & WOMEN

BARRIERS & CHALLENGES

Despite the social and economic benefits in digital financial inclusion of women, there are a host of challenges and barriers to their uptake of digital financial services.

On the demand side, restrictions in mobility of women within largely patriarchal communities, and limited use and ownership of mobile devices by women are some of the primary challenges in the digital inclusion of women in the financial sector.

On the supply side, barriers such as a largely patriarchal ecosystem and lack of formal documentation or female-centric products affect the adoption of digital financial products by women³⁵.

Digital financial service providers (both public and private) face significant issues and barriers when it comes to creating awareness about, adoption of and consistent use of digital financial services.

India is traditionally a cash-based economy, where cash transactions are the norm. The adoption of digital financial services is further hindered by access issues when it comes to smartphones and digital capabilities, and a lack of interest. Consumers are only likely to switch to digital financial services if the entire local ecosystem is digital, hence the merchants they transact with must first accept digital payments. It is sometimes expensive to adopt digital systems, and many merchants remain content with the largely cash-based system. Last Mile issues also crop up in rural spaces; hence, it is difficult to ensure that the final connection takes place.

A number of these issues are caused by infrastructure problems which are more prevalent in rural India. For example, the lack of bank branches, internet connectivity issues, power shortages, etc.

Data security and customer grievance mechanisms are other important challenges that stand in the way of digital financial adoption. Most low-income users are first time/first generation users, therefore trust in these services is of paramount importance, and this can easily be swayed by second-hand information or hearsay.

In order to successfully deal with these challenges, the human component is crucial to catalyse behavioural change and needs to come hand in hand with the technological aspects.

The challenges and barriers faced by digital finance service providers have been categorised under digital infrastructure, digital readiness, and the enabling environment on the next page.

³⁵ World Bank and International Financial Corporation Report, "Research and literature review of challenges to women accessing digital financial services" 2016.

DFS: OVERALL BARRIERS AND CHALLENGES



DIGITAL INFRASTRUCTURE

Last-mile issues in rural spaces

Despite the Jan Dhan Yojana initiative, rural India struggles with Last mile banking. Official data shows that only 27% of villages in India have a bank within a five-kilometre radius.

Thus, the government has started to look beyond these banks to ensure last-mile connectivity and meaningful financial inclusion. Banking correspondents are to help bring people into the banking fold.

Other infrastructure-based issues

This includes lacking pre-requisites such as documentation or smartphones. While modes of payment that do not require smartphones (like USSD) exist, many in rural India lack even basic mobile phones.

Other infrastructural challenges in rural India include power shortages that could interrupt connectivity, or a lack of internet connectivity which prevents some digital modes of payment from working at their optimal level.



DIGITAL READINESS

Cash Transactions still dominate

97% of transactions in India are still cash based. Particularly in rural India, with its inter-connected economy and value chains, all parts of the chain have to be aware of and accept digital modes of payment in order to move away from being a cash-heavy economy. Studies report that the need to make cash payments to suppliers is one of the major reasons why merchants are disinterested in adopting debit cards.

Lack of awareness or interest/difficulty of use

Large parts of rural India are still unaware of the services under the umbrella of digital financial services. Fringe awareness is also common, wherein people have a surface-level awareness of digital modes of payment, but a lack of deeper understanding or knowledge prevents them from adopting such modes. Even those with smartphones often perceive digital financial services to be extremely complex or struggle with the financial jargon associated.

Absence of confidence/trust

Many do not trust digital modes of payment and are hesitant to share their information with banks or other financial institutions. They might also be fearful of security-based issues or fraud, and often may have just heard about digital modes of payment being unsafe.



ENABLING ENVIRONMENT

Merchants need to accept digital payments

Many users do not have merchants around them that accept card or other digital payments; hence, they do not end up using digital modes of payment.

Further, digital payments are still associated with high value transactions, and are therefore not used as often. For instance, many people have stated that they would not use a digital mode of payment for a small transaction of even 10 rupees.

Merchants highlight the high cost of trial of using digital modes of payment as another factor for driving down their interest in accepting digital payments

DFS & WOMEN SPECIFIC BARRIERS AND CHALLENGES



DIGITAL INFRASTRUCTURE

Greater access to digital finance for women requires developing a “safe space” that enables them to own and use mobile phones and data

Smartphones seem to be associated with entertainment and social media, which results in a significant gender divide in both usage and ownership. In rural parts of India, there is an inherent fear that smartphones will expose women to “bad influences”. As a result, many women do not own cell phones. In most cases, men are the decision-makers, and may not provide their wives, daughters or sisters with smartphones or any other kind of phone. IFMR reported figures state that only 45% of women own a mobile phone as opposed to 73% of men.

Other reports highlight a 19% gender gap in mobile phone ownership. Many women that have smartphones may not access the internet at all, while others feel that using social media applications would make their husband suspect that they might be speaking to other men. Women are therefore more likely to own basic phones or get access only to smartphones that have been discarded by male family members.



DIGITAL READINESS

Lack of access/awareness

While a lack of access and awareness is the case for many in rural India, it is more prevalent amongst women than men. There is limited financial awareness and understanding of the financial products and services available as this information is not easily available or on offer to women.

The lack of knowledge therefore, generates a reluctance to adopt digital modes of payment. Many are also fearful of digital modes of payment, and do not trust the modes of service or the institutions offering the service. Limited access to information regarding financial opportunities can be extremely challenging to the adoption of digital financial services.



ENABLING ENVIRONMENT

Social norms blocking access to participation

Indian society is still largely patriarchal, and most women in rural areas are involved in the domestic space or agricultural setting and are not involved in financial decision making.

According to a 2012 report by the International Commission for Research on Women, in India “there are many official and public spaces that are not considered appropriate for women to frequent, or where they feel discomfort or suffer harassment. There are distances that women are not expected to travel alone, and most women need permission and cooperation from family members to undertake a job or start a business.” This need for permission is a barrier to the adoption of digital modes of payment as women are rarely involved in using any modes of payment.

Lack of women-friendly design & delivery systems

Even if awareness, and access to financial literacy weren't issues, services are often not women-friendly. Sometimes, the user interface is not geared towards a female audience or the case studies described and shown by the providers are not cases that rural women can relate to.

Mobility can also be an issue for women who cannot travel to banks or other financial institutions due to a combination of having to remain in the domestic space, safety issues, and permission related problems with their husbands or other male relatives. Many rural women report feeling safer with and being able to relate easier to a female banking agent, regardless of whether the agent may be at a bank branch or working in branchless banking.

Numerous initiatives over the years, by both public and private players, have attempted to address the general barriers, as well as challenges that are unique to women in accessing and using digital financial services, which will be discussed in later sections. We discuss one such initiative by L&T Financial Services below: The Digital Sakhi Programme.



DIGITAL SAKHI

WOMEN AGENTS FOR WOMEN EMPOWERMENT THROUGH DIGITAL FINANCE

In 2016, L&T Financial Services (LTFS), a financial services company with an established Rural Finance portfolio, wherein the business directly engages with the rural community in Maharashtra and other parts of India, conducted a baseline and needs assessment study in the Pune, Osmanabad and Solapur districts in Maharashtra.

The goal of the study was to ascertain the socio-economic indicators, the existing infrastructure and prevalent practices of the communities. The results of the study concluded that these geographies fared poorly on human development indicators like education, income and most importantly, women empowerment.

The map below highlights the districts in Maharashtra that the programme operates in.

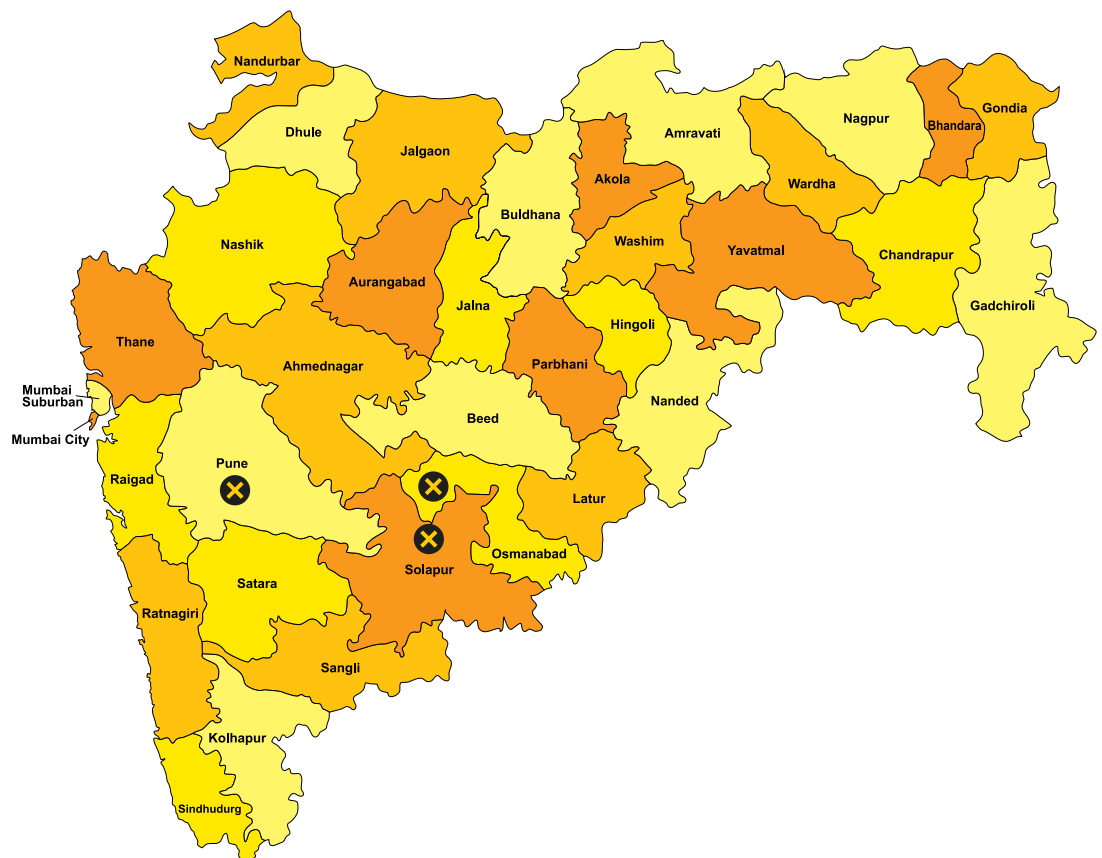


Figure 7: Map: Digital Sakhi Programme in Maharashtra

It is from the results of this needs assessment study, that the Digital Sakhi Programme was born. The programme focuses on the 5th sustainable goal of Gender Equality.

PROGRAMME IMPLEMENTATION

LTFS partnered with Action for Agricultural Renewal in Maharashtra (AFARM), an association of civil society organizations engaged in the field of rural development.

The programme was rolled out in two instalments. First, 100 Digital Sakhis were identified from villages of the sample districts and trained extensively in areas like digital financial literacy, leadership and technology through LTFS Digital Financial Literacy modules. The 100 Sakhis ensured door-to-door dissemination of information across their demarcated villages, ultimately reaching a 1,00,000 rural population.

Next, the programme chose 1,000 women entrepreneurs practicing goat rearing, poultry, dairy and tailoring, and up-skilled them in their respective trades to yield better products/services.



These entrepreneurs were also trained in enterprise development, where they were taught to collaboratively develop market linkages through the Entrepreneurial Development P(EDP) curriculum which covered various items such as idea generation, market segmentation, cost structure and revenue streams. They were also trained in Digital Financial Literacy including performing their business transactions digitally by the 100 Digital Sakhis.

The programme had huge visible benefits in the first year (an increase in savings, household budget making, awareness and adoption of digital financial services, and household financial decision making). The knowledge levels of the 100 Digital Sakhis on Digital Financial Literacy increased by an impressive 13.86%. Average monthly savings per Digital Sakhi household went up by 11.6%³⁶. Simultaneously, annual revenues of the Women Entrepreneurs increased by 14.08% and annual profits increased by 13.24%³⁷

³⁶ LTFS, "Digital Sakhi- Maharashtra Project", April 2018

³⁷ IBID

The success of the programme has led to an expansion of the model to Madhya Pradesh (in the Dhar and Barwani districts). Here, LTFS partnered with Self-Employed Women's Association (SEWA), a trade-union that promotes the rights of low-income, independently employed female workers. At the end of six months, there have been increases reported in awareness of digital financial services (increased awareness of Debit Card (40%), Mobile Wallets (43.8%), Mobile Banking (22.5%) and AEPS (28.7%)³⁸), the awareness of financial products and also a change in financial habits at a household level. There is an increase of 18% of households where families take decisions together, highlighting an increased participation by the women³⁹.

The map below depicts the districts in Madhya Pradesh that the programme operates in.

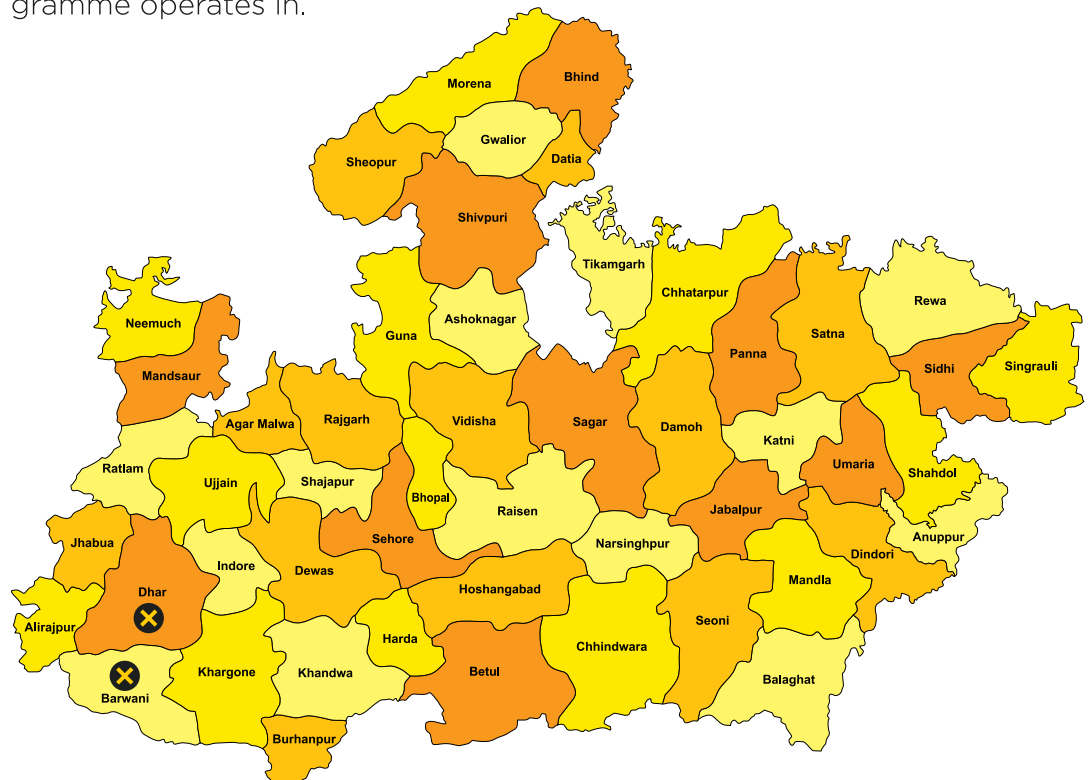


Figure 8: Map: Digital Sakhi Programme in Madhya Pradesh

There is now a focus on expanding the programme to both Tamil Nadu and Odisha.



Figure 9: Digital Sakhi Track Project Implementation Model



Figure 10: Women Entrepreneurs Track Project Implementation Model

The first part of the Implementation Model above highlights the Digital Sakhi programme. The second part of the Model highlights the second track of the project, where the NGO provided the Women Entrepreneurs with upskilling and enterprise development, while the Digital Sakhis taught them about digital financial literacy.



DIGITAL SAKHI PROGRAMME: THEORY OF CHANGE

The Digital Sakhi programme represents a crucial Theory of Change – enabling empowerment of rural women through digital financial services. This comes through inputs such as partners and curriculum, which partake in the activities of the program, namely mobilizing the Digital Sakhis and training them through a module especially developed for them.

In the short term, it results in increased knowledge and the development of certain skills. This increase in knowledge also relates to personal finance, such as understanding the difference between a “good loan” and a “bad loan”, the importance of formal banking services, and how to manage a household budget. In the medium term, it means a percentage of rural women using banking products and services, and the Digital Sakhis conducting training sessions. In the long term, the percentage of women using savings will increase, as will the increase of modes of digital payment used and the number of women making financial decisions at home.

This change is represented in the diagram in the following page.

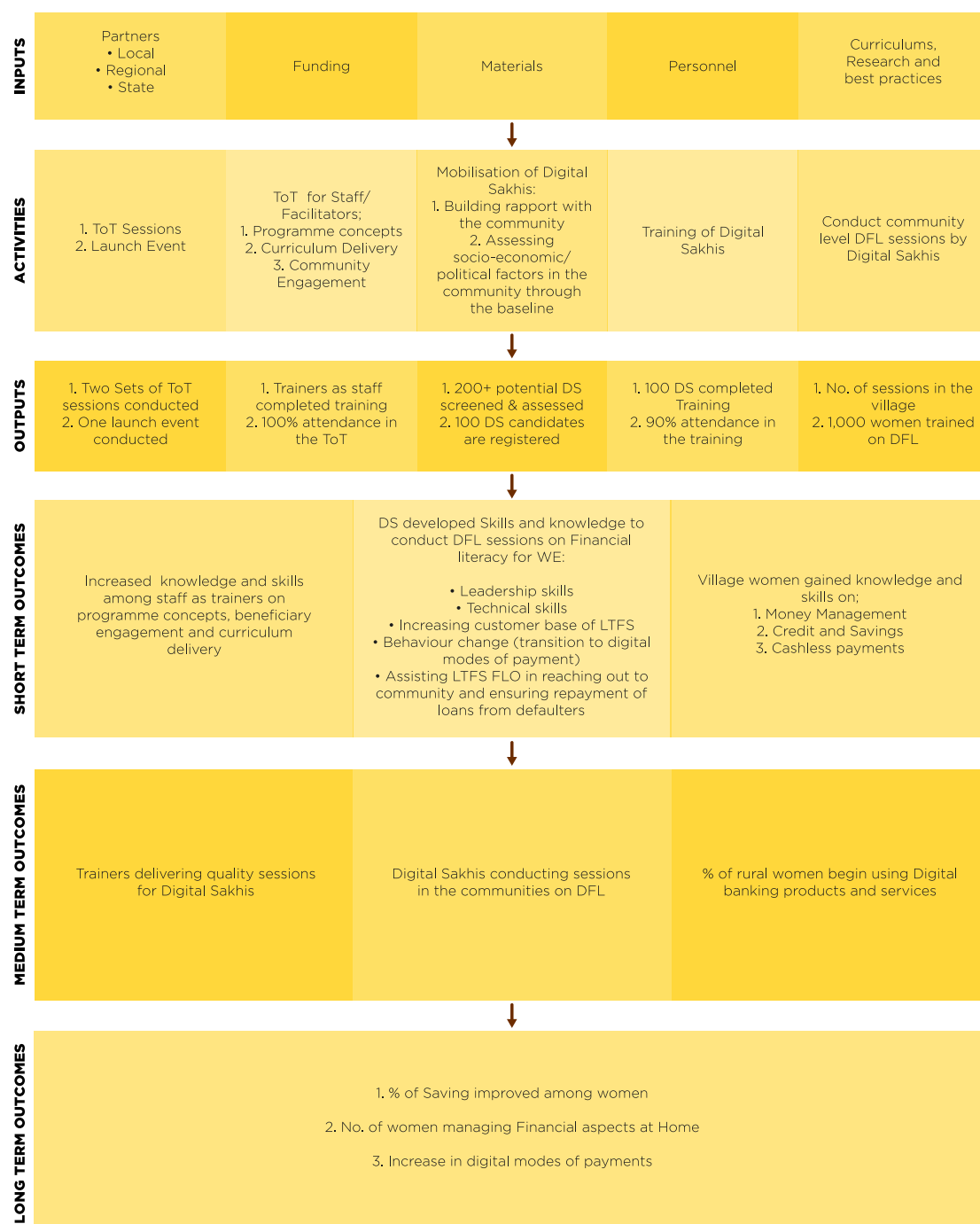


Figure 11: Digital Sakhi Theory of Change Model

OTHER INTERVENTIONS

Apart from the Digital Sakhi programme, other interventions in the space are attempting to bring about digital financial inclusion. The landscape is characterised by initiatives from various players including the government, NGOs, financial service providers and in many cases, through a partnership among stakeholders across sectors.

For example, there are various initiatives taken under the World Bank's National Rural Livelihood Project (NRLP). The NRLP, which supports the Indian Government's National Rural Livelihood Mission (NRLM), is partnering with financial institutions including M-Pesa and Oxigen to identify and train eligible women Self-Help Groups as Business Correspondent (BC) agents in association with particular banks. The BC agents are also trained to service the transactions of Self-Help Groups and their members⁴⁰.

Another initiative is a programme developed by Grameen Foundation India in partnership with Sonata Finance and Oxigen Services (with support from the Citi Foundation). This programme focuses on training female beneficiaries on digital financial services and financial education by training Sonata front-line employees to be able to better serve rural beneficiaries and help train them⁴¹.



⁴⁰ Shetty, Shobha, "Enabling digital financial inclusion for rural women: emerging findings from India", The World Bank, 4th May 2018

⁴¹ Gulati, Gopika, "Digital Winds of Change in Rural India" FinDev Gateway, July 2017

WHAT WORKS

KEY LEARNINGS FROM DIGITAL SAKHI AND OTHER PROGRAMMES ON DIGITAL FINANCE

From the Digital Sakhi Programme, key insights about women in relation to digital financial services come to light. The programme was created with the goal of increasing awareness and adoption of digital financial solutions among women in rural India. This was done by focusing on the following:

1. EQUIPPING WOMEN THROUGH LEADERSHIP SKILLS & COMMUNITY VISIBILITY

A key element of the Digital Sakhi programme is to use digital financial inclusion in a way that equips women to impart their learnings to other members of the community. Leading by example, these women can demonstrate their financial literacy skills and introduce the various digital modes of payment to the members of the community, thus facilitating a culture of using digital financial services.

One of the biggest takeaways from the initial stages of the Digital Sakhi programme was the importance of building leadership skills and confidence in the women who were to become the Sakhis, along with technical knowledge, basic financial literacy and digital financial literacy.

In order for the women to be change agents in their households, their communities and across the ecosystem at large, they also needed to be leaders. The need for Sakhis to be leaders was considered necessary as the Digital Sakhis would disseminate the information/technical know-how that they had acquired to other members of the community. It is here that the idea of “influencing without authority” becomes more and more important, as it is through the use of digital financial services and other financial skills (such as budgeting) that the Digital Sakhis influence the rest of the community.

Ms. Sunita Taware, a Digital Sakhi from Varvand village said, “the expertise and confidence that was gained as a Digital Sakhi enabled me to spread digital financial literacy.”

Awareness about the Primary Beneficiaries of the Digital Sakhi Program

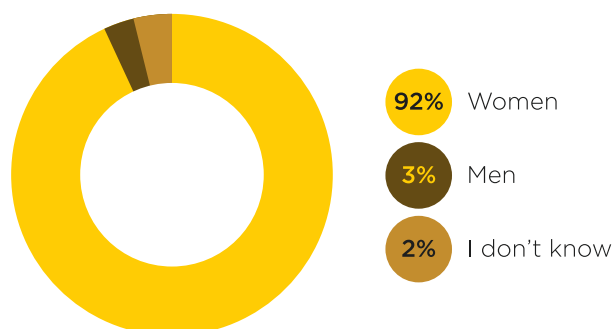


Figure 12: Digital Sakhi: Awareness about Primary Beneficiaries in Maharashtra After One Year of the Programme

To facilitate leadership qualities and soft skills, training sessions were included in the programme. It also conducted workshops where the Digital Sakhis could ask questions and clarify doubts on the programme or about their roles as Digital Sakhis.

Additionally, leadership training contributed further towards empowerment within the community, another key tenet of the programme. In the programme, the Digital Sakhis found that they were far more visible in their communities - other community members began approaching them for the programme, as well as for discussing other issues. 95% of the households surveyed at the end-of-year reported that they were aware of the Digital Sakhi programme, its goals and outcomes.

Equipping women with leadership skills is a crucial aspect of unlocking digital finance for women's empowerment. It helps to build a safe space for women to use digital financial services, as many find it easier, safer and more acceptable to use these services if others in their community are successfully using them. Due to a reluctance to use digital financial services based on hearsay, it is important that prospects see, speak and connect with someone in the community that uses them to build confidence in the services.

2. DIGITAL FINANCIAL INCLUSION CANNOT COME WITHOUT FINANCIAL LITERACY

For Digital Financial Inclusion to occur, financial literacy is the essential first step. One can consider Digital Financial Inclusion to be a multiple step process.

The first step is basic financial literacy, and from there we proceed towards digital financial literacy and inclusion. As has been stated by

marketer and strategist Rajat Gandhi in an Economic Times article, **“no matter how many banks you open and how many boots you have on the ground, if a person does not know about the financial options that are open to her- policies, schemes and financial instruments will mean little.”**⁴²

Further, in recognition that financial inclusion deals with the more vulnerable sectors of the population who are currently excluded from digital financial services, it is important that they are first introduced to financial literacy. If not, they could easily be exploited as a result of their financial ignorance. Moreover, stakeholders need to be aware of the risks and benefits to make an informed decision.

It is vital that individuals know the basic elements of financial literacy like income and expenses, the importance of saving, the creation and maintenance of a budget, as well as good and bad expenses. People in rural India are traditionally involved in agriculture, and may not have bank accounts. They need to be taught how to deposit and withdraw money from their accounts when needed.

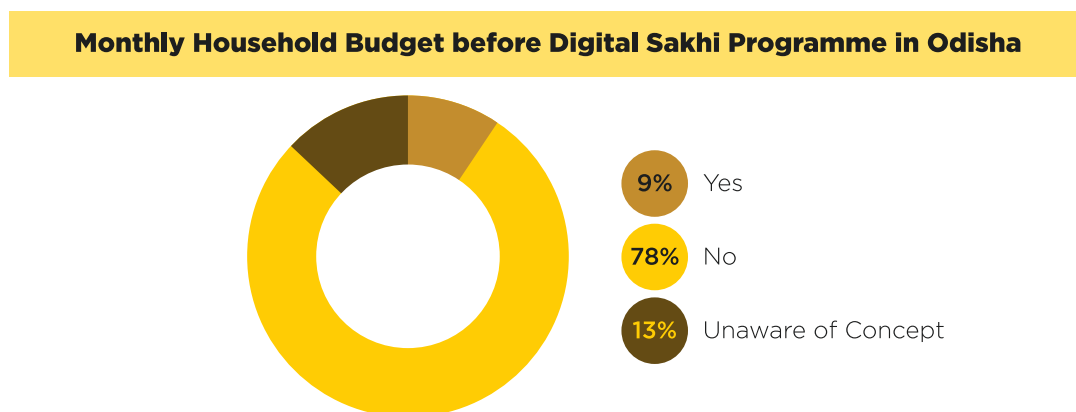


Figure 13: Digital Sakhi: Monthly Household Budget at Baseline in Odisha

We see the need for training on basic financial literacy in the recently conducted baseline survey in Odisha. In the survey, it has been found that just 9% of the 300 households surveyed have monthly budgets, with 78% reporting that they do not, and an additional 13% stating that they’re unaware of the concept of a monthly budget.

It is necessary to create a basic template to cater to the needs of those at the extreme end of the spectrum of financial literacy. The Financial Literacy curriculum taught to the Digital Sakhis addressed this need.

Digital Sakhi Programme: As a means of building skills and technical knowhows

The Digital Sakhi programme looked at building technical skills and

⁴² Gandhi, Rajat, “Financial inclusion, financial literacy & role of technology”, The Economic Times, 16th May 2015

know-how related to basic financial literacy. Two examples of slides as part of the Income & Expenses module and the Savings & Borrowings module taught to the Digital Sakhis are illustrated in Figure 13. The income module distinguishes between essential needs, consumption goods (wants) and luxury/unnecessary goods (vices). The second module depicted targets increasing the ability of the Sakhi to distinguish between “good loans” and “bad loans”.



Figure 14: Digital Sakhi: LTFS Financial Literacy Modules

Once the trainings were completed, an assessment was conducted for the Digital Sakhis, with all four modules tested. The results were positive, but the tangible takeaways of the training modules and workshops can be seen below.

For instance, prior to the Digital Sakhi program, only 24% of households in Maharashtra would maintain a monthly budget, whereas this figure had

increased to 50% by the end of the first year.

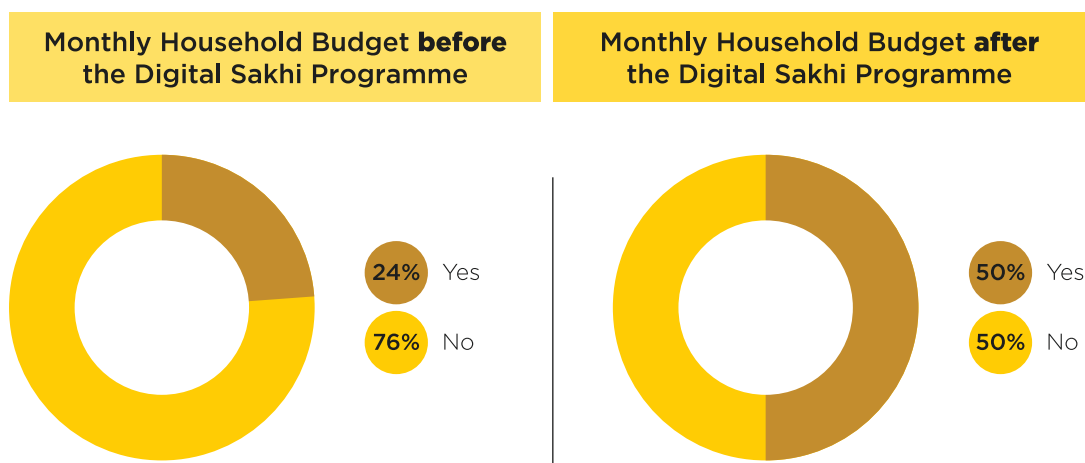


Figure 15: Digital Sakhi: Monthly Household Budget Baseline and After One Year of the Programme in Maharashtra

Meanwhile, in Madhya Pradesh, at the end of the first 6 months of the programme (October 2018), it was reported that there was a 6% increase in the number of households that maintain a monthly budget. It is still early in the programme to be able to assess the level of adoptions, but this kind of marginal shift is promising.

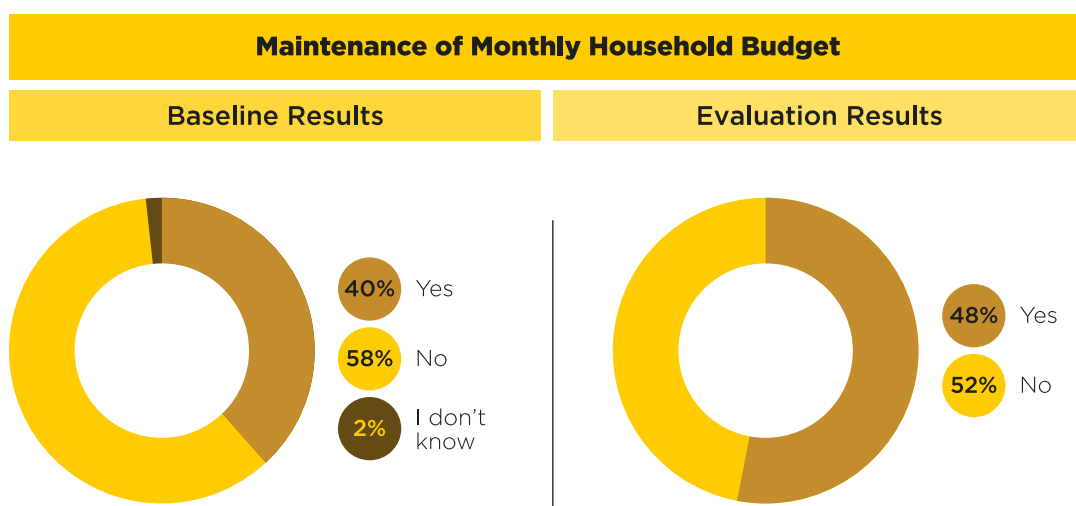


Figure 16: Digital Sakhi: Maintenance of Household Budget- Baseline and After Six Months of the Programme in Madhya Pradesh

In Maharashtra, monthly savings of the households surveyed have also seen a vast improvement after the Digital Sakhi Programme, with 40% of the households surveyed saving above Rs. 5000 a month, and an average monthly saving of Rs. 1,385.

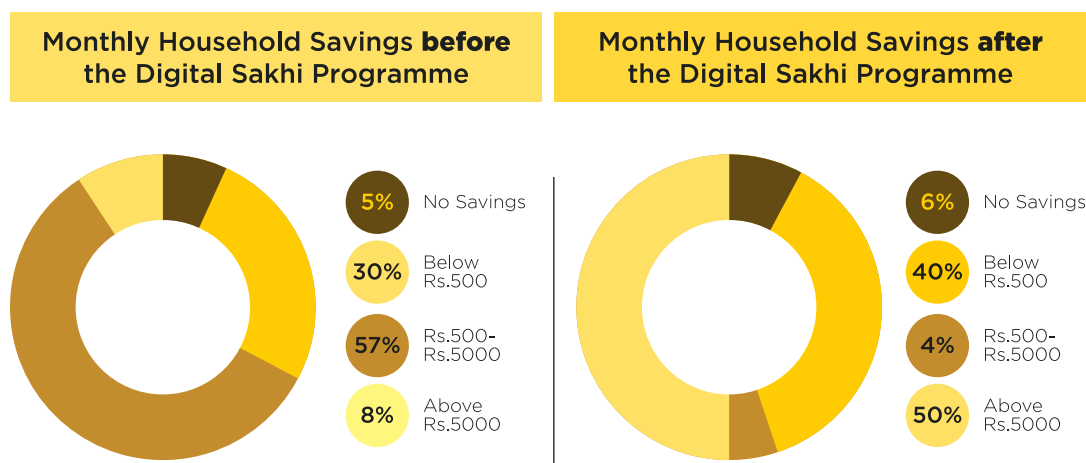


Figure 17: Digital Sakhi: Monthly Household Savings- Baseline and After One Year of the Programme in Maharashtra

Similarly, far more households now engage in monthly expense management than they did prior to the program, with more family members being involved in the process (primarily demonstrated by women becoming involved in taking more financial decisions). In order for these changes to have taken place, there had to be a sense of awareness about these concepts. The year-end survey shows that majority of the households within the community are highly aware of the concepts of surplus, deficit, financial planning and maintaining a household budget.

Digital Sakhi Programme: Investing in Insurance and Pension Products

Another notable result of the Digital Sakhi programme is that while learning about insurance and pension as elements of the financial literacy described above, investing in such products is the second part of at least a two-step process.

In order to invest into insurance and pension schemes, a household needs to have set aside a portion of their income to invest. This can only be done with the awareness and subsequent adoption of savings practices. As stated above, this first year of the Digital Sakhi program has indeed seen a greater adoption in savings practices. However, the first year of the program has shown no increase in either investing in pension products or investing in insurance products. But we can draw a link to the relationship between saving and investment; the first has to have happened in order for the second to take place in any shape or form. Awareness of these products is also crucial, and the year-end survey has stated that 92% of the households surveyed in the community are aware of insurance schemes discussed in the digital financial literacy curriculum, and 93% displayed awareness of the pension schemes in the same curriculum.

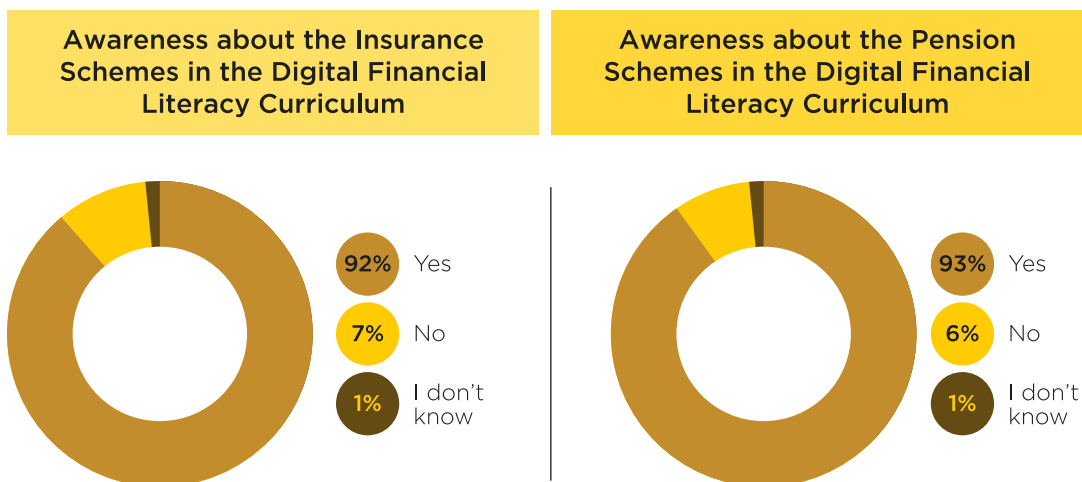


Figure 18: Digital Sakhi: Awareness about Insurance Schemes and Pension Schemes After One Year of the Programme in Maharashtra

In contrast, the baseline survey analysis conducted in Tamil Nadu, shows the awareness of financial services (such as insurance schemes, highlighted in the graph below) to already be considerably higher than at the baseline with either Maharashtra or Madhya Pradesh. It will be interesting to observe as to whether this already higher awareness of insurance schemes will mean that households save more in other to avail the benefits of such schemes. Further, given that there are much fewer households engaged in agri/agri-allied livelihoods, there is less awareness of loan products and insurance products related to crops and livestock.

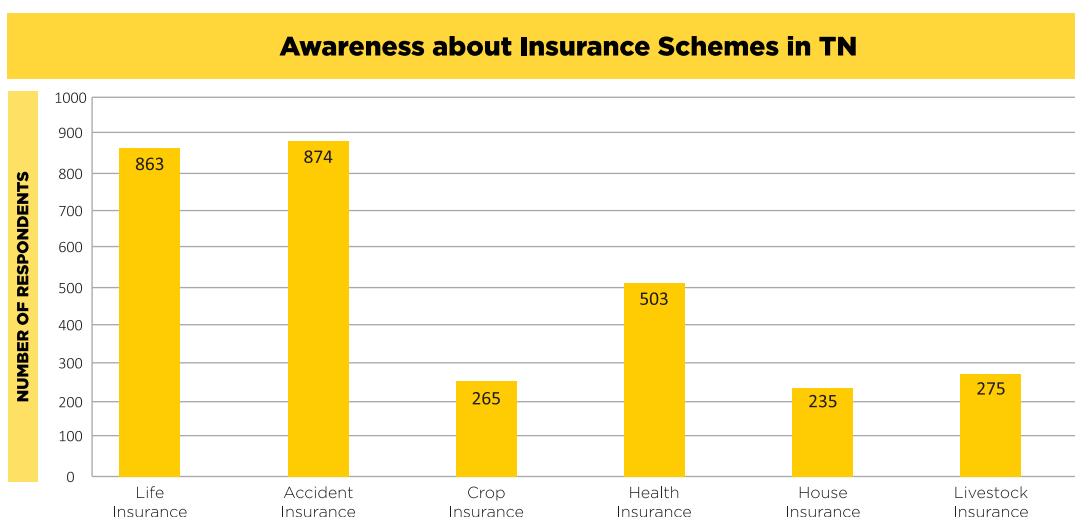


Figure 19: Digital Sakhi: Awareness of Insurance Products at Baseline in Tamil Nadu

3. EASE OF USE MATTERS WHEN IT COMES TO UPTAKE OF DIGITAL MODES OF PAYMENT

When we consider digital financial inclusion, there are a number of digital modes of payment available, and not all are equal in terms of usage rates.

Certain digital modes of payment are simpler to use.

These differences are influential in the adoption and use of digital modes of payment. Considering a generally low technical literacy level, even with training, some modes of payment are harder to use than others. As a result, these digital modes of payment are less popular among the people.

Given that many new users of digital modes of payment are not located in cities, infrastructure becomes relevant too. Rural sections of the country are more likely to have fluctuating internet connections, fewer banks and weaker telecom infrastructure. Technical literacy and confidence are known to be huge barriers for the Indian women; many studies highlight that women would prefer services offered in local languages and consider that icons, cartoons and IVR could better serve illiterate women⁴³.

Further, looking closer at the Digital Sakhi program, we find a preference for modes of payment that are easier to use and understand and that do not necessarily require the internet to the same degree as other more internet-reliant modes. There are some digital modes of payment that the Digital Sakhis have found easier to adopt themselves but find harder to train others.

Therefore, it is important that consistent and immediate access to support is available along with help with the first transaction, and access to further training if required. Studies also find that presentation of a clean user experience, free of financial services jargons is crucial, as this makes the user experience far easier⁴⁴.

Figure 20 below depicts the digital modes of payment most used in Maharashtra, as seen in the year-end survey. Each mode is also described, with reasons as to why the mode is used frequently or not.

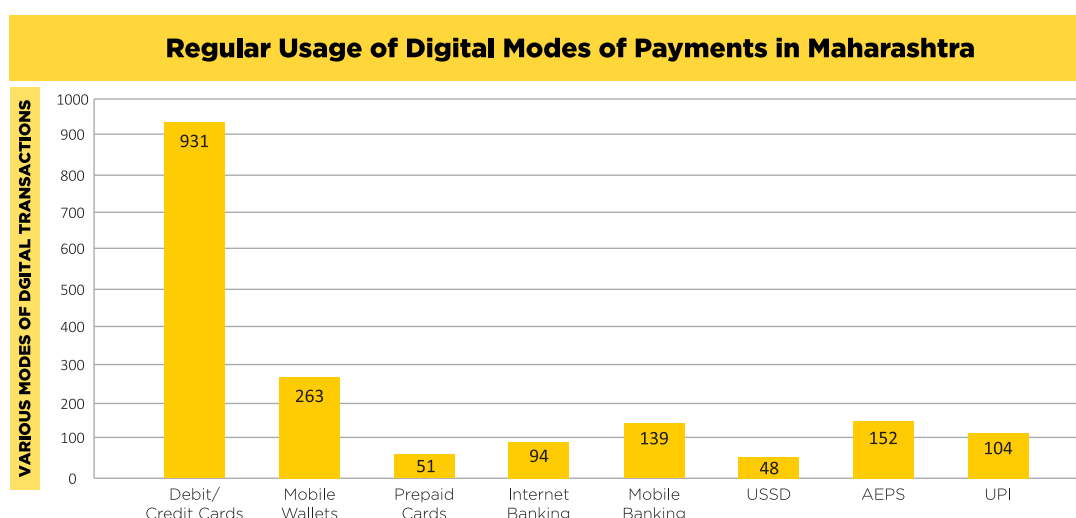


Figure 20: Digital Sakhi: Usage of Digital Modes of Payment After One Year of the Programme in Maharashtra

⁴³ GSMA, "Women and mobile in India: Realising the opportunity", 24th October 2016

⁴⁴ Omidyar Network, "Currency of Trust: Consumer Behaviors and Attitudes Towards Digital Financial Services in India"

Banking Cards: Banking Cards were by far the most popular digital mode of payment in the households surveyed at the end of the first year of the Digital Sakhi program in Maharashtra. 931 households of 1,782 households reported that they regularly used Banking Cards as a mode of payment because they are easy to use.

Banking Pre-Paid Cards: In the Digital Sakhi end-of-year survey, only 51 households reported that they had started using pre-paid cards as there were issues of trust with banking pre-paid cards.

Mobile Wallets: The survey also reported that mobile wallets are actually the second most popular digital mode of payment adopted, with 263 households stating that they use this option.

It is also worth noting just how wide the gap is between credit/debit cards as the most popular digital mode of payment as compared to mobile wallets, with mobile wallet households being only 28% of the number that use credit/debit cards.

Internet/Mobile Banking: Due to the seeming complexity of internet banking and lack of a stable internet connection, only 94 households reported using Internet Banking while 139 reported using Mobile Banking in the end-of-year Digital Sakhi program survey.

USSD: USSD was the least popular option in the Digital Sakhi program end-of-year survey, with only 48 households reporting to use it. This could be because it is complex, has a high ceiling price on sessions and a charge for failed transactions.

UPI: UPI has many additional requirements in infrastructural terms and can be complicated to use. It is not a hugely popular mode, particularly in the rural sectors of the country. Just 104 households in the Digital Sakhi survey reported using UPI.

AEPS: A positive of the Aadhar Enabled Payment System is that apart from the KYC (Know Your Customer) and Aadhar information, there are no other requirements to set up this method. In the Digital Sakhi end-of-year survey, 152 households reported that they used AEPS.

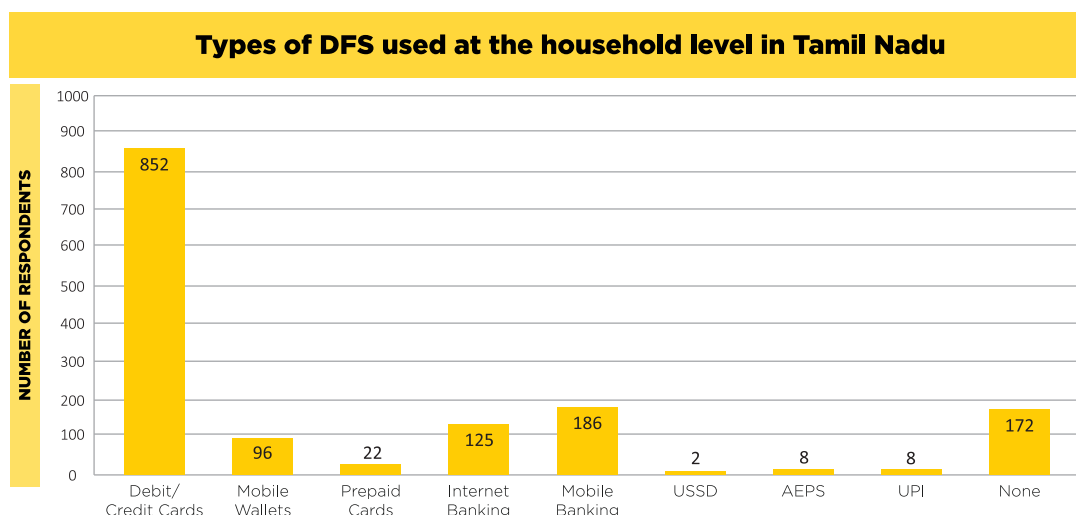


Figure 21: Digital Sakhi- Usage of Digital Modes of Payment at Baseline in Tamil Nadu

Figure 21 is from the baseline survey analysis from the programme's expansion to Tamil Nadu. Here we also see that Debit and Credit cards are the most popular digital mode of payment, with 852 households of those surveyed already using them, and mobile wallets again being the second most popular digital mode, as was found in Maharashtra. The difference between the two is stark again, with mobile wallet households being only 22% of the number that use credit/debit cards.

4. READINESS & WILLINGNESS TO TAKE LOANS IS VITAL

The willingness and readiness to take loans is crucial for an entrepreneurial journey. In rural India, the larger tendency is to rely on informal sources for loans, such as the local money-lender, family, friends or even local shop-keepers⁴⁵. Small-scale borrowing has always been prevalent in rural India. Often, the role of a woman in these situations is restricted to offering her jewellery as collateral, while the money from the loan is usually in possession of the husband. In case of taking a loan from a money-lender, there are often extremely high rates of interest which exploit the female borrower over a prolonged period of repayment.

The belief that informal channels are more appropriate stems not only from a lack of financial literacy, but also from a perception that banking might only be for bigger transactions⁴⁶, and the general difficulty in getting loans from formal banks. Many have bank accounts (or even have multiple accounts due to various government schemes) but still choose alternative informal services.

These patterns of borrowing from informal sources (as well as a reluctance to take loans at all) are reflected in the results of the recently conducted baseline survey in Odisha. Figure 22 below highlights that of the

⁴⁵ Basu, Priya, "Improving Access to Finance for India's Rural Poor", The World Bank, 2006

⁴⁶ USAID, "Beyond Cash- Why India Loves Cash and Why That Matters for Financial Inclusion", 17th September 2017

300 households surveyed, 133 haven't taken any loans at all, and of the remaining 167 households, 84 have availed loans from money lenders, with a further 30 taking loans from friends and family. The majority of households do not look to the formal financial system for loans.

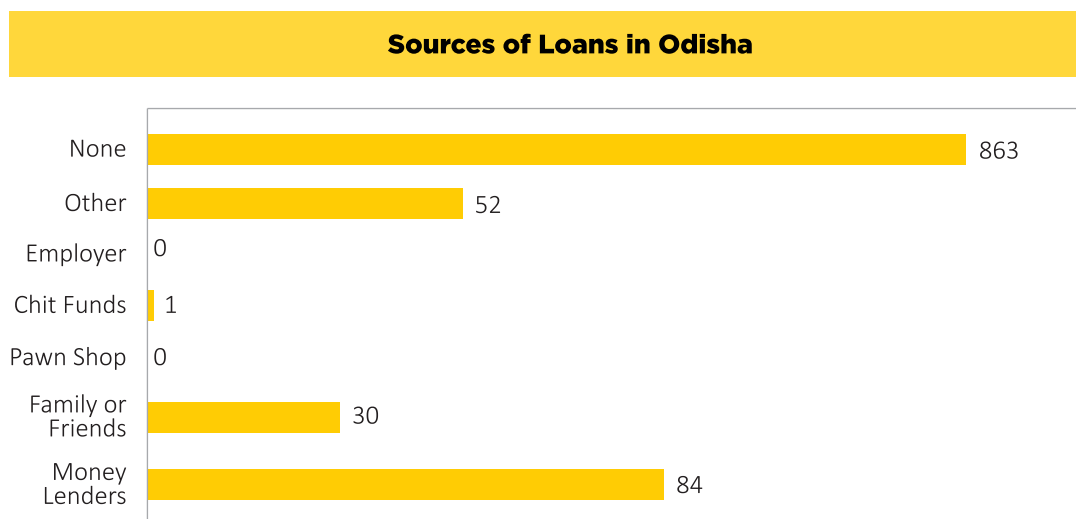


Figure 22: Digital Sakhi: Source of Loans Availed at Baseline in Odisha

In these situations, women need to firstly be willing to take a loan, and secondly, accept formal channels of finance. This may include specialised loans as a product that caters to rural women, especially women micro-entrepreneurs. Often, the size of these loans taken by female entrepreneurs and women's groups is quite small, but the simple and short repayment schedule is beneficial⁴⁷.

In the case of the Digital Sakhi program, the year-end survey results highlight that loans availed from banks and financial institutions have seen an increase and loans availed from non-bank sources have decreased. While the number of households that said they take loans from banks increased from 315 at the starting of the year to 375, at the end of the year, the number of households that said they take loans from non-bank sources decreased from 284 at the starting of the year to 198 at the end of the year, as shown in the graph below.

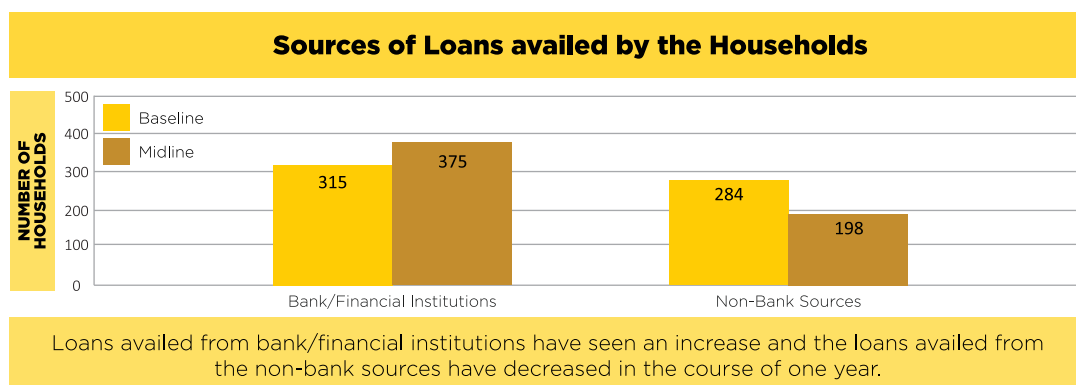


Figure 23: Digital Sakhi: Source of Loans Availed- Baseline and After One Year of the Programme in Maharashtra

⁴⁷ BCzura, Kristina, "Flexible Repayment Schedules for Dairy Clients in India", JPal, October 2011

5. THE NECESSITY OF SENSITISING MALE MEMBERS OF THE COMMUNITY

Most communities in rural India are patriarchal in nature. Family support, and in particular, consent of the husband is needed for a woman to be away from the domestic space, which could be the case for a woman engaged in any kind of entrepreneurship endeavour.

In the case of the Digital Sakhi programme, when women were meant to conduct door-to-door visits, issues of non-consenting husbands came up. Safety concerns, a belief that a woman's involvement in entrepreneurial endeavours would result in negligence of her "domestic responsibilities", concerns about using cellphones, and smartphones in particular as well as data being a negative influence on women were cited as reasons for disapproval and discouragement on part of the men in the family.

We can see the concerns about using mobile phones, and particularly smartphones reflected in the baseline survey results from Odisha, shown in the graph below. The figures show that the percentage of women that own mobile phones is 15% of the percentage of men that do. This figure is even smaller with smartphones, with the percentage of women owning smartphones being 13% of the percentage of men that do, and a total of 10.6% of all women surveyed.

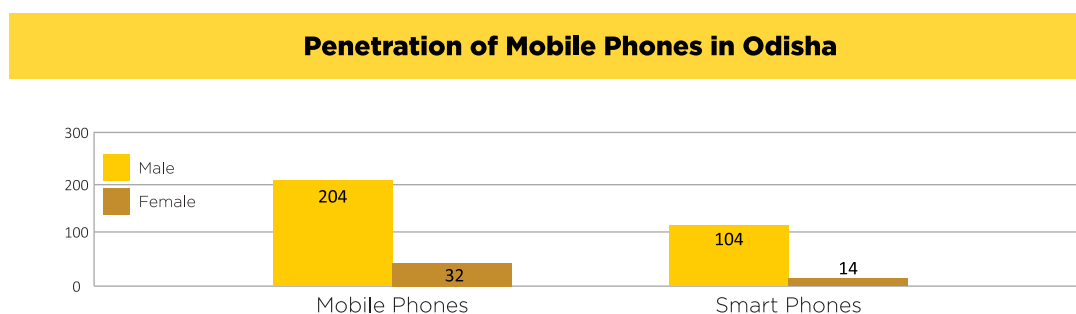


Figure 24: Digital Sakhi: Penetration of Mobile Phones at Baseline in Odisha

These issues on restrictions in mobility of women and their participation in the economy are not exclusive to the Digital Sakhi program and resonate with the larger patriarchal set up of the country.

For the Digital Sakhi programme, it was essential to ensure that the men understood the programme and its benefits in order to empower the women. Interventions were required to enable men to let go of both age-old and new biases and perceptions regarding both women's roles in the household and community, as well as those related to digital financial services. Sensitisation trainings were conducted for the whole family as part of the digital Sakhi programme. Focus groups and other open sessions are options to create a change in the male mindset.



6. LIMITATIONS OF INFRASTRUCTURE ON BANKING

Mrs. Laxmi Patel, a Digital Sakhi from Bembali village, recounts her experience of how interventions for the family can be beneficial, **“I come from an extremely conservative family that did not believe that women can step out of their homes and make a contribution to society.”** She felt that these sessions helped her family members become **“very supportive and encouraging”** after they had seen the **“positive change”** in her.

Infrastructure in rural India is one of the biggest challenges faced by digital financial service providers and other organisations when trying for digital financial inclusion. Apart from the fact that rural India largely runs on a cash-heavy economy due to the inter-connected nature of the value chains (explained earlier), there are major infrastructural constraints, and finding a way to work around them is crucial for any kind of success.

Bank branches are often very far away, with less than 10% of villages having bank branches⁴⁸. While digital modes of payment do not necessarily require physical banking infrastructure, a visit to a bank branch might be required for the initial step of availing a digital mode of payment. Further, it has been reported that many people require some initial hand-holding when they first begin using digital products⁴⁹, and this can often be provided by agents either at banks or agents through some sort of branchless banking mechanism.

Further, many in rural India still have basic phones and do not have access to smartphones, making a number of digital financial services impossible to use. While USSD does allow for a person with a basic mobile phone to make digital transactions, the mode of payment itself is expensive and difficult to operate. Hence, it has not been popular (particularly clear in the Digital Sakhi programme’s first year figures as seen on page 16).

Jayshree Hanumant Kaspate from Bembali village highlighted that **“trainings, handholding and proper guidance by experts”** were crucial to her digital finance experience.

Other issues include fluctuations in internet connectivity (or a lack of internet connectivity altogether) and power shortages, which make using certain digital financial services harder. Due to this, certain digital modes of payment are more popular than others in rural India, such as cards, which are less reliant on smartphones and internet connectivity. They require a Point of Sale terminal to be working, but nothing more once they

⁴⁸ IMFR & JP Morgan, “Digital Financial Inclusion and Consumer Capabilities in India: A handbook for financial service providers”, September 2017

⁴⁹ Omidyar Network, “Currency of Trust: Consumer Behaviors and Attitudes Towards Digital Financial Services in India”

are operational.

This resonated with the Digital Sakhi programme's findings as well wherein payment cards were vastly more popular than other digital modes of payment adopted in the first year. Ease of use, and connectivity in rural areas contribute towards this popularity to a large extent.



WAY FORWARD

Based on the findings discussed above, it is clear that awareness, and client-centric solutions are the central components of the solution space. Here, we highlight some of the most important steps and recommendations necessary to create an enabling DFS ecosystem for women in India.



DIGITAL INFRASTRUCTURE

Specific Design of Products

It is important to ensure that products are easier to use. As we saw in the Digital Sakhi programme, the digital modes of payment that were easiest to use were the most popular. For modes of payment such as Mobile Banking or Internet banking, it is vital to present a clean user experience which is free of financial services jargon. While basic financial literacy training helps, consumers may not understand all of it. Further, a clean interface with apps which is heavy on images and diagrams makes use easier too. A focus on local languages is also beneficial, allowing users to transact in dialects they are familiar with. It is also a useful idea to design and deliver products that are tailored to specific users. For instance, for women consumers, a household budgeting application would be well-received.



DIGITAL READINESS

Build Awareness Using Cases

In the case of digital financial inclusion of women, it is important to create awareness through specific case studies that highlight the benefits of a mobile phone. As many women (as well as men) are uncertain about the benefits of using a smartphone, it is important to route the use of mobile phones towards socially acceptable cases such as health and education and away from entertainment and social media. Further, banks, organizations and other payment players should focus their marketing and advertising on easier-to-understand use cases, which appear to have tangible benefits, perhaps in the health and educational spaces.

On-Boarding Process & Support

There needs to be an onboarding-process when a consumer starts using a digital financial service, which could come from the digital financial service provider or even from another organisation (similar to the trainings for the Digital Sakhis, but with a lesser degree of engagement). Many want agents to demonstrate how to use digital financial services and walk them through the process of using them, which is where branchless banking might come into play. Dummy transactions with an agent or vendor could potentially be helpful here.

Similarly, in order to build trust, it is very important to have a customer redressal mechanism, often someone who can physically help out or speak on the phone. Apps having troubleshooting and “help” buttons are useful as well, but there is no substitute for actual human interaction when it comes to building trust.

In the case of women, having women agents at banks or organizations is also particularly helpful, as it helps to create a “safe space.” A supportive on-boarding experience helps to build familiarity and confidence; the lack of this kind of confidence and trust in the service are some of the biggest barriers to digital financial inclusion



ENABLING ENVIRONMENT

Incentivise Existing Users

There could also be a focus on incentivising existing users of digital financial services which could help in increasing and intensifying usage, and additionally bring other users on board.

This is a space where both the government and banks could step in; the government could encourage consumers to expand their use of digital financial services by providing tax or monetary incentives (such as income tax rebates.) Banks could offer cash-backs or loyalty points to those users of digital financial services. Private companies have already begun doing this, and many have expressed and continue to express interest in discounts offered on data plans by companies like Jio and Idea.

Industry experts have also spoken about incentivising digital credit through credit scores. For example, people with higher credit scores could get special deals and offers or preferential treatment on PayTm or banking sites

Collaboration between Stakeholders

When it comes to expanding service delivery, collaboration and partnerships among the various stakeholders deploying digital financial services is vital. As programmes such as the Digital Sakhi programme scale, government collaboration could be extremely helpful, particularly in regard to increasing the programme's reach. This would be a natural convergence, as both stakeholders have similar goals in regard to digital financial inclusion and women empowerment. Stakeholders with different capabilities and skill-sets collaborating as they strive for a common aim would only serve to benefit the landscape.

The path ahead for digital financial inclusion contributing to rural women's empowerment has its set of challenges, but there are several success stories that members of the ecosystem can imbibe. The success of the maiden Digital Sakhi programme in Maharashtra resulted in the expansion of the program to Madhya Pradesh, Tamil Nadu and Odisha.

A significant increase in the adoption of digital financial services in all the villages, as well as regular usage of digital modes of payment in the households of the Digital Sakhi will be the second-year goals of the programme in Maharashtra. In order to motivate female entrepreneurs of these communities, the program will also introduce group activities like a business plan competition and the formation of Producer Groups and Joint Liability Groups in order to ensure greater access to markets and credits.

To bring about an increase in the adoption of digital financial services, there needs to be a more suitable digital infrastructure when considering the design of digital financial products. Products that are easier to use and are closely catered to the customers will help adoption. As will increasing the digital readiness of rural women, by building awareness through cases and providing support during the on-boarding process and after too. Further, the enabling environment needs to be conducive to encouraging rural women to take up digital financial services. Such an environment is characterised by collaborations between stakeholders, all with the common goal of bringing about digital financial inclusion for rural women.

After all, it is clear that programmes that work closely with women are extremely beneficial to all involved. As this White Paper has stressed, digital financial inclusion for women in rural India empowers them, allowing them to become change agents and bringing about positive changes to the entire ecosystem.

The impact that women can enable in the ecosystem is multi fold - as previously discussed, digital financial inclusion has the woman as the direct beneficiary, but their families are very often secondary beneficiaries- as more money is invested into their households. This improves educational, nutritional and health standards. It immensely benefits the children of the household.

A combination of these positives directly benefits the community, as an increase in health and education standards among children only means an upswing for the community as a whole. It could result in lower infant mortality rates, lower rates of illness, children getting married at an older age and fewer unplanned pregnancies across the board.

If we look at the Maharashtra project of the Digital Sakhi programme, we see that while the direct beneficiaries were the 100 Digital Sakhis and the 1,000 women entrepreneurs, the indirect beneficiaries were 100,000 community members. This kind of initiative, focusing on digital financial inclusion for women, can ultimately mean a healthier, better educated, and overall happier community.



APPENDIX

Basu, Priya, “Improving Access to Finance for India’s Rural Poor”, The World Bank, 2006

Belgavi, Vivek, “2017: The Year of the Customer”, Live Mint, 26th December 2017

CGAP, “Digital Financial Inclusion”, March 2015

Czura, Kristina, “Flexible Repayment Schedules for Dairy Clients in India”, JPal, October 2011

Deloitte, “Digital India Unlocking the Trillion Dollar Opportunity”, November 2016

Dermiguc-Kunt, Asli, “The Global Findex Database 2014”, The World Bank, April 2015

Digital India “DI Initiatives”, Ministry of Electronics & Information Technology

Direct Benefit Transfer, Government of India, dbtbharat.gov.in

FAO, “Women hold the key to building a world free from hunger and poverty”, 16th December 2016

Gandhi, Rajat, “Financial inclusion, financial literacy & role of technology”, The Economic Times, 16th May 2015

Ghosh, Achyuta, “Indian Fin-tech Products- Innovation Driving Growth”, NASSCOM, May 16

GSMA, “The Mobile Gender Gap Report 2018”, February 2018

GSMA, “Women and mobile in India: Realising the opportunity”, 24th October 2016

Gulati, Gopika, “Digital Winds of Change in Rural India” FinDev Gateway, July 2017

IBEF, “Indian Financial Services Industry Analysis”, November 2018

IMFR & JP Morgan, “Digital Financial Inclusion and Consumer Capabilities in India: A handbook for financial service providers”, September 2017

India Stack “About”, indiastack.org

Karlan, Dean, Jake Kendall, Rebecca Mann, Rohini Pande, Tavneet Suri, and Jonathan Zinman. “Research and impacts of digital financial services”. No. w22633. National Bureau of Economic Research, 2016.

Krishnan, Aarati, “All you wanted to know about: JAM Trinity”, The Hindu Business Line, 2nd March 2015

LTFS, “Digital Sakhi- Madhya Pradesh Community Evaluation,” October 2018

LTFS, “Digital Sakhi- Maharashtra Project”, April 2018

Lusardi, Annamaria, and Olivia S. Mitchell. “Planning and financial literacy: How do women fare?.” American Economic Review 98, no. 2 (2008): 413-17

Malhotra, Anju, “Connectivity: How Mobile Phones, Computers and the Internet can catalyze Women’s Entrepreneurship”, ICRW & Cherie Blair Foundation, 2012

NITI Aayog, “Strategy for New India @ 75”, November 18
Women’s World Banking, “How To Create Financial Products that Win with Women”, 4th September 2018

Omidyar Network, “Currency of Trust: Consumer Behaviors and Attitudes Towards Digital Financial Services in India”

OneFiveNine, “Varvand”, OneFiveNine.com

PTI, “Gender parity can boost India’s GDP by 27%: WEF co-chairs”, Economic Times, 21st January 2018

Shetty, Shobha, “Enabling digital financial inclusion for rural women: emerging findings from India”, The World Bank, 4th May 2018

State of Aadhar, “All PMJDY Account-related Data”, April 2018

Telecom Lead, “Rural India has 500 million mobile phone subscriptions: TRAI”, 12th December 2017

USAID, “Beyond Cash- Why India Loves Cash and Why That Matters for Financial Inclusion”, 17th September 2017

World Bank and International Financial Corporation Report, “Research and literature review of challenges to women accessing digital financial services” 2016.

Communication Address:

Brindavan, Plot No.177, CST Road,
Kalina, Santacruz (East),
Mumbai - 400 098,
Maharashtra, India.

Phone : +91 22 6212 5000

Fax : +91 22 6212 5398

Website : www.ltfs.com

Email : igrc@ltfs.com



L&T Financial Services

