Session Title	**Everybody Counts: Innovations in Financial Inclusion**
Day & Date	Friday, 15th May 2020
Time	3 pm to 5 pm (IST)
Format	**Ideathon**: Five innovators present their innovative solutions that aid the larger cause of financial inclusion to panel of impact investors and sector experts for guidance and problem solving for COVID disruptions
Panelists	**Sushma Kaushik,** Partner, Aavishkaar Capital
	Amitesh Sinha, Partner, SIMA Funds
	Abhishant Pant, Founder, The Fintech Meetup
Host	**Parvathy Ramanathan,** Head of Products, Sattva Consulting

The Ideathon saw 5 startups, Frontier Markets, Aggois, Sama, FinanceKaart and Lakshya present their solutions & challenges to an expert panel comprising Sushma Kaushik (Partner, Aavishkaar Capital); Amitesh Sinha (Partner, SIMA Funds) and Abhishant Pant (Founder, The Fintech Meetup).
Each startup had the opportunity to brainstorm with the expert panel on operational and strategic challenges, ranging across themes such as; adapting & pivoting their solutions and platforms in the light of the COVID crisis; scaling through the right partnerships at a reduced cost; experimenting with newer models across their customer segments and value chains. Also encouraging was the live ongoing Q&A directed at the Startups & the panelists, by a 120+ member audience- all looking to build organisational resilience, collaborations and systemic change.

Expert Take

1. **Impact investing and opportunities in a post- COVID scenario - Sushma Kaushik**

Though financial inclusion as a priority and focus has been around for a while, it is now clear that the time has come to look at moving to the next phase of financial inclusion as we know it. Financial inclusion as a concept began with the Self-Help Group (SHG) movement, where the social sector played a key role; then led to government involvement through changes in regulation, opening up for privatisation, etc. and eventually led to banks and NBFCs becoming important stakeholders in their involvement. The government seeing this engagement and impact, then gave the sector a further boost. The last decade has seen significant strides in terms of the development of financial infrastructure which has further empowered financial inclusion. Some of the game changers being the development of the JAM trinity (Jan Dhan-Aadhaar-Mobile) and the onset of Jio.

Based on India's current trends in tele-density, financial services & FinTech have been a focus of the investor segment. We have doubled our investments in FinTech between 2018-19, and we are now the 3rd largest FinTech center after the US and UK
Internet and smartphone penetration and access to information asymmetry is rapidly disappearing and the aspirational pyramid is also flattening— what the people at the top of the BoP have and want, is also what the people at the bottom of the BoP want; but unfortunately, wealth continues being a pyramid.
With the current COVID scenario widening of this base is a concern and it is important for all stakeholders across the social sector, private sector, government, impact investors, etc. to find solutions to solve for this.

If the short-term pain can be overcome, the COVID scenario does have a silver lining— people are now forced to evaluate quicker technology adoption and rapidly changing consumer behavior, that in turn, can change the landscape of services that have been offered within the financial inclusion segment.

Expert Take

2. **Financial inclusion opportunities from announced COVID-19 packages - Amitesh Sinha**

When creating products for financial inclusion, it is important to understand customer behavior and then tailor-make products based on the environment and the macro-economic situation. Customisation, personalisation and behavioral study are elementary in creating new services, products and offerings.
Lending is an important aspect of financial inclusion, but the real inclusion is in creating financial stability and this is an important factor in eventually increasing consumption among end-consumers. With products and services like insurance, payment services, fund transfers it is important to keep building awareness and creating an ecosystem.
Building these tailor-made solutions and ensuring a vast offering, will create and build value proposition for customers. For example, the type of financial services a person with a stable or recurring income needs (E.g. Driver, house help, security guard, etc.) is at the time of adversity i.e. a medical emergency could potentially wipe out savings. These targeted segments need to be curated based on consumers who have the capability to earn a recurring income, and need to be accompanied by education, awareness building and a push for specific financial products that cater to this segment.

On the other hand, people whose income is dependent on external factors beyond their control e.g. farmers and their dependence on climate, fertilizer prices, availability, etc.; need stability in terms of financing to ensure they have a good produce and that a value chain can be created where they get what they need. The MFI sector has done an exemplary job in keeping default rates low and that has come about from decades of ecosystem building— and users of these offerings are aware that this is the prime source of lending they can get.
The recent government announcements of Rs. 30,000 crore liquid facility for NBFC housing finance companies and microfinance, will help create demand for securities by non-banking lenders but this might not be enough to bridge the overall gap. This gap has to be filled by capital market players. MFIs and NBFCs have to keep continuing that push towards capital markets.

A transmission of Rs. 3 lakh crore in terms of a collateral free government backed loans to MSMEs, will mostly follow through to NBFC sector and be refinanced with the banks. This will create a lot of liquidity on the NBFC balance sheet.
It is estimated that 40 million migrants have been affected by the current crisis, and assuming even 50% return to their native and start something on their own, this will create an 8 billion dollars' worth of microfinance loan demand. The capital market will play a big role in bridging the gap between the 30,000-crore liquid facility and the demand for loans. A Rs. 45,000 crore first loss guarantee will be provided by Govt. of India and will create a lot of liquidity. It is important to continue with usual business and tap into the capital market because all possibilities have not been exhausted.

Expert Take

3. Beyond COVID - creating agile FinTech - Abhishant Pant

FinTech when looked at as a whole, represents payments and when looked at from a "beyond COVID perspective", creating agility in FinTech payments, essentially means anyone with an establishment, will slowly and steadily go towards a "social distancing" value chain— which is on the QR side.We will now see more activity on the acceptance side of the value chain and not as much on the consumer side of payments since a large ecosystem already exists.
The second activity from a FinTech standpoint will be on the B2B side of the value chain, wherein more and more entities will be seen on supply chain, digitisation value chain, etc. which means creation of a digital footprint for the purpose of an organisational value chain.

Lending FinTech will see difficult times ahead, and we will observe more and more FinTechs getting into the experimentation value chain, which will essentially be about experimenting with capital and identifying who the worthiest set of consumers from a repayment standpoint. Segmentation is important. It would make a lot of sense for lending FinTech to categorise small and medium businesses other than kirana, medical, etc. (from a merchant category standpoint), and then take decisions to restrict the lending limits of players in travel, transportation, hospitality and events. We will see lenders withdrawing themselves from these categories.

Wealth, from a value chain point of view has seen an upward movement largely due to people having a lot of time and disposable income. And as the formal sector (except startups) has not seen much unemployment, that income is going into the wealth-based startup value chain which has end to end integration.
Insurance— general and health insurance, is seeing an upward movement while life insurance is stable. Health FinTechs will see the greatest traction and those who are adding value by providing a digital layer to MFI entities, have found an amazing acceptance, leading to a lot of movement.