



Financial Services Innovation for Bharat

Unleashing the potential of financial services
for Rural & Semi-Urban India

SEPTEMBER 2023





ABOUT BCG

Boston Consulting Group partners with leaders in business and society to tackle their most important challenges and capture their greatest opportunities. BCG was the pioneer in business strategy when it was founded in 1963. Today, we work closely with clients to embrace a transformational approach aimed at benefiting all stakeholders—empowering organizations to grow, build sustainable competitive advantage, and drive positive societal impact.

Our diverse, global teams bring deep industry and functional expertise and a range of perspectives that question the status quo and spark change. BCG delivers solutions through leading-edge management consulting, technology and design, and corporate and digital ventures. We work in a uniquely collaborative model across the firm and throughout all levels of the client organization, fueled by the goal of helping our clients thrive and enabling them to make the world a better place.



ABOUT RBIH

The Reserve Bank Innovation Hub is a wholly owned subsidiary of the Reserve Bank of India (RBI) set-up to promote and facilitate an environment that accelerates innovation across the financial sector.

RBIH aims to foster and evangelize innovation across the financial sector to enable access to suitable, sustainable financial products to a billion Indians in a secure friction-less manner. In addition, RBIH would create internal capabilities by building applied research and expertise in the latest technology. The hub will collaborate with financial sector institutions, policy bodies, the technology industry, and academic institutions and coordinate efforts for exchange of ideas and development of prototypes related to financial innovations.

Foreword by Mr. Bansal for RBIH-BCG Report on ‘Innovation for Bharat’



Rajesh Bansal

Chief Executive Officer
Reserve Bank Innovation Hub

India, with its diverse landscape and rich tapestry of communities, is a nation where the power of innovation in financial services can truly transform lives. In a world where the financial sector is undergoing remarkable changes, it is imperative for India to harness these transformations and ensure that the benefits reach every corner of the country, especially its rural heartlands.

Bharat (rural and semi-urban India) is home to a substantial portion of our population, and equitable access to financial services is pivotal for their economic upliftment. These innovations are not just about convenience; they are about empowering every Indian with the tools to secure their financial future.

Despite commendable progress in recent years, numerous unmet financial needs persist across rural India. From affordable financial services to credit accessibility, there's a wide spectrum of requirements that current financial services have yet to fully address. Innovation becomes the key to bridge this gap effectively. Beyond meeting individual needs, these innovations can foster the growth of rural communities at large. By providing financial solutions tailored to their specific circumstances, we can stimulate entrepreneurship, enhance livelihoods, and promote self-reliance.

The path to achieving this vision isn't without challenges. It necessitates the creation of innovative, secure, sustainable, and scalable models that can withstand the rigors of India's diverse and sprawling landscape. This report, ‘Innovation of Bharat’, is the product of a collaborative effort between the Reserve Bank Innovation Hub (RBIH) and Boston Consulting Group (BCG). It brings forth findings and recommendations that emanated from rigorous research, consultations within the financial sector, and insights garnered from the very communities that constitute the heart of Bharat.

To the industry leaders and innovators, we invite you to join us on this journey. Together, we can unleash the full potential of financial services for Bharat, fostering innovation, financial inclusion, and economic growth. The time is ripe for collaboration and action, and we believe that this report can serve as a compass in our collective pursuit of a brighter, more prosperous future for all.

Executive Summary

Sustainable growth in India hinges on empowering its large rural population, which constitutes over 65% of the country and contributes to 47% of nation's GDP. The combination of rising income levels, farm sector reforms, and effective government schemes is expected to create a new wave of profitable users from this segment in the future. Notably, rural internet adoption has been exceptional, with 200 million users coming online between 2018 and 2022, reaching total of 399 million users in 2022; the projected penetration to reach 80% by 2030. The government-supported rural MSME sector is playing a significant role in driving employment and economic activity, making it a promising market for further expansion.

Despite notable progress in areas like telecom, internet, and healthcare access in rural India, access to comprehensive financial services remains a critical factor for economic advancement in this segment. Challenges such as low financial literacy, unsuitable product offerings, cumbersome banking processes, and limited access to formal credit, resulting in 60% reliance on informal lending, underscore the need for tailored solutions across Products, processes, and Policies to unlock this segment's full potential.

In our quest for a deeper understanding of the financial behaviors of rural consumers, we discovered interesting, unintuitive patterns,

ultimately identifying six key friction points that need to be addressed to enhance financial accessibility.

- **'My savings need saving from myself'**
Bharat consumers aspire to save, but they face challenges like irregular incomes, unexpected expenses, and limited financial knowledge, making it easy to spend their savings. To make a real difference, comprehensive solutions need to be developed that do more than just offer financial products. These solutions should help people develop good saving habits and offer incentives for better financial behavior
- **'Want to Bank, but outside the Bank'**
If they manage to save, banking charges and the costs associated with travel and missed opportunities burden their small savings. Banking services need to be available beyond Bank, as easily and cheap as other public services
- **'Need money, to get money'**
Bharat consumers face challenges in accessing formal loans due to lack of past credit history and fluctuating credit requirements. To suit Bharat's needs, tailored lending solutions incorporating alternate data based decisioning, flexible interest rates and repayment schedule needs to be developed

- **'Liquidity secures my future'**
Bharat consumers get comfort from cash-in-hand, prioritizing immediate needs or liquid savings, over investing in insurance, that will save them from a 'probable' calamity in future. To boost insurance adoption, simplify processes, offer clearer terms, provide guidance through local 'Insurance Mitras', Banks play a crucial role here as they are inherently perceived as conduits to facilitate access to these benefits
- **'Right to Rights'**
Bharat consumers are often not able to avail the benefits of government schemes due to limited awareness, understanding, and hidden costs, along with lengthy paperwork Efficient communication, involvement of influencers, and simplified processes are essential for reaching consumers and distributing scheme benefits widely
- **'Trust Individuals, more than Brands'**
Bharat consumers have unique characteristics, and they prioritize 'trust and service' over 'big brand' when it comes to making choices on their preferred Banks. Local influencers are critical to penetrate this segment

To tackle these challenges effectively, financial institutions must proactively innovate and

Source: IMF, S&P, Buzz to Bucks 2021 Survey; ICUBE 2022; Internet & Mobile Association of India

tailor offerings for Bharat, focusing on self-selling products, user-friendly processes, leveraging established networks, and fostering human connections for trust-building. Prioritizing three essential elements of a broader innovation framework is crucial for developing sustainable solutions for Bharat consumers.

Desirability: Does the solution address key customer pain points and needs of Bharat consumers effectively?

Viability: Will this innovation drive significant business impact and unlock value for the organization in a cost-effective manner covering the deep pockets of Bharat consumers?

Feasibility: Can the proposed solution drive Distribution@Scale leveraging technology and solutions that are "Bharat" friendly?

Integrating these three elements will result in significant value to Bharat consumers as well as the financial institutions. Institutions such as HDFC Bank, IDFC Bank, Federal Bank, Axis Bank, Money Purse, Jigyasa Rurban, and Meesho strides towards innovating in this direction.

Additionally, multiple fintechs like Spice Money, Sibly, Dvara, Kaleidofin, Navana and more are also innovating in this space.

However, they face multiple hurdles that hinder the pace of innovation, with challenges such as limited market access, scalability concerns, lack of banking partnerships for untested products, and limited domestic capital for the investments. Data security, integration concerns with incumbents and regulatory ambiguity further complicate the fintech landscape.

The broader industry and overall economy can reap substantial benefits from the convergence of various stakeholders across different sectors, including government, regulators, banks, fintechs, telecom, FMCG, and others. Collaborative efforts are essential to facilitate data sharing, distribution, and system platforms that effectively serve Bharat consumers. One potential starting point is establishing interoperability across players, such as standard interface protocols for Fintechs, enabling seamless integration with banks for their innovative offerings. In conclusion, fostering innovation in rural India necessitates a comprehensive approach involving interventions across three pivotal dimensions.

Demand-side: Rural consumers must stand as the focal point of innovation, with a relentless focus on elevating awareness, enhancing accessibility, driving adoption, and ensuring affordability

Supply-side: FinTechs, Banks, and Financial Institutions have a critical role to play in building sustainable & viable distribution and service models. They can achieve this by offering a seamless experience through efficient channels and non-conventional data sources while establishing a robust system for grievances and redressals

Regulators & policy-makers: Facilitating convergence among stakeholders, regulating distribution practices, and standardizing integration and security protocols play a crucial role in shaping the financial services landscape

Together, these concerted efforts work in tandem to unleash the potential of Rural & Semi-urban India.

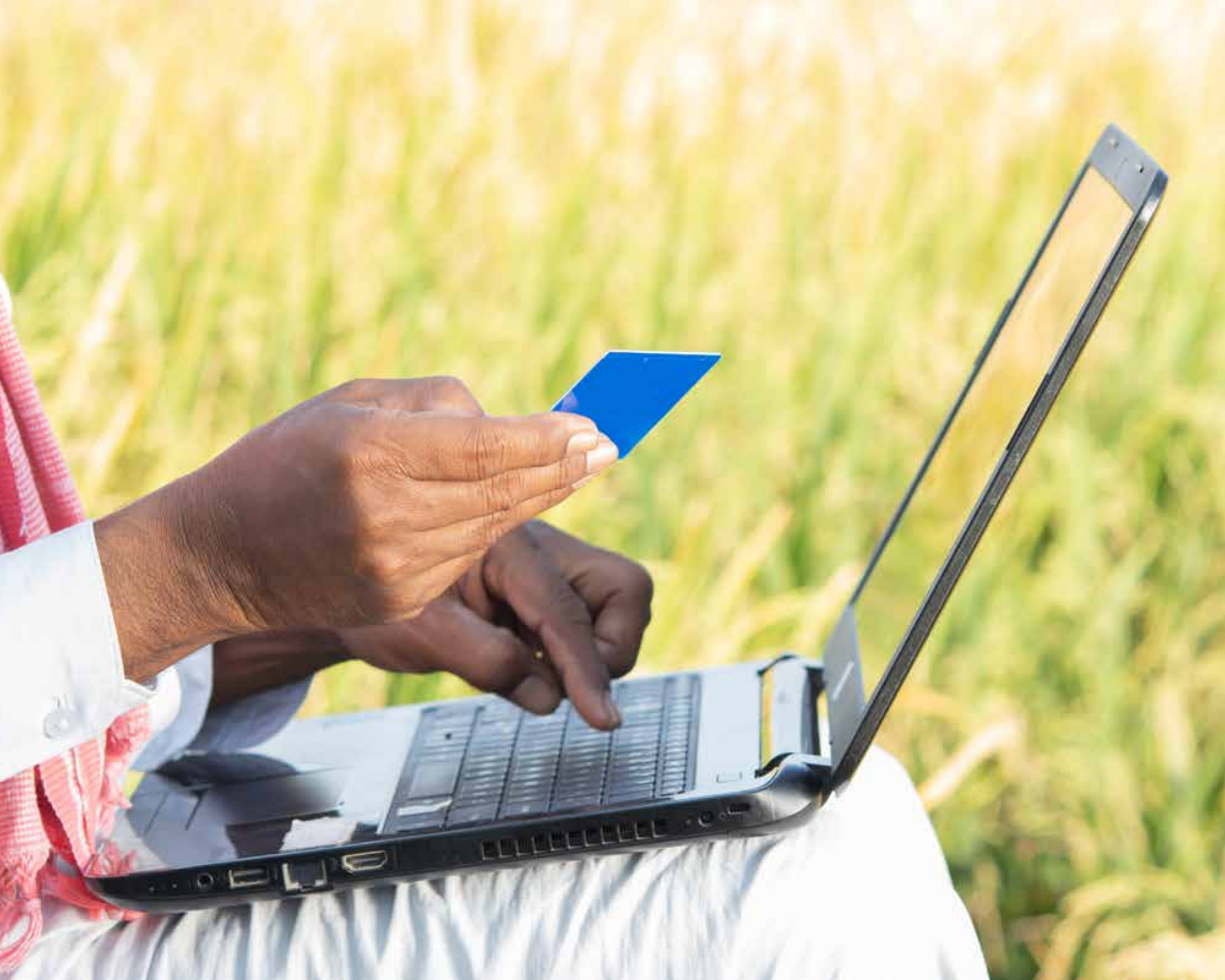


Table of Contents

01

Bharat: The Next
Growth Driver

08-15

02

Unveiling Desires
of Bharat

16-27

03

Innovating Financial
Solutions for Bharat

28-49





01

Bharat: The Next Growth Driver

The rural and semi-urban population in India holds a pivotal position in propelling the nation's economy forward. Currently, rural economy accounts for 47% of the nation's GDP, and it is projected to become as large as India's GDP as of today by 2030. The MSME sector in Rural India is also receiving significant attention, with over 30 million MSMEs operating there, providing further momentum for economic growth.

While half of the country's Internet users are from Rural India, there are varying levels of rural penetration across different segments, particularly low in the financial services sector. To address this disparity, large financial institutions have introduced products supported by government schemes, expanded their branch network, and increased distribution through banking correspondents to drive access to financial products to the community. However, several fundamental challenges such as low literacy rates, bank branches being located far away from customer's location, and unsuitable financial products hinder widespread adoption of these services.

Ensuring financial well-being for Bharat requires an innovative approach that addresses issues related to access to financial services, economic stability, security, and the overall enhancement of their financial situation through banking full fledged solutions.

Creative financial solutions can be drawn from other sectors; for instance, Easy by RHB embraced an built-for-purpose branch model that caters to the undeserved mass segment with its low cost, modular, and simple design retail outlets, mirroring the compact, organized retail model of D-Mart.

Bharat: Rural and semi-urban Indians with unique lifestyles & choices struggle for basic financial rights

Representing a significant 65% of India's population and contributing to 47% of nation's GDP, rural and semi-urban communities hold a dominant and indispensable position in India's socio-economic landscape. These communities find their sustenance primarily in agriculture and allied activities, reflecting their deep-rooted bond with nature and the land. Embracing a simple and closely-knit lifestyle, these communities are deeply rooted in traditions and cultural practices, fostering a strong sense of community and belonging.

In pursuit of financial inclusion for this significant segment, the government has launched over 300 Direct Benefit Transfer schemes. However, the effectiveness of these schemes has been constrained by fundamental hurdles, including outdated beneficiary databases, cumbersome onboarding procedures, payout delays, and biometric authentication issues. These challenges highlight the urgent necessity for customized initiatives that uplift and empower these communities, such as leveraging iris-based authentication and streamlining payout processes to achieve more effective and inclusive outcomes.



Male, 35 yrs old
Runs an egg stall
We don't have enough money, so we can't even think about savings

Struggling for real savings and investments



Female, 45 yrs old
Works as domestic help
Bank jaakr kaam krane mei humari poori dihadi bekaar jaati hai

Facing hurdles in accessing from formal channels



Male, 50 yrs old
Farmer
We are not aware of many schemes.. want someone to explain us everything

Not able to reap the benefits of the schemes



Female, 30 yrs old
Works in a local garment shop
Local bhaiya is more reliable than national banks

Trusting humans more than brands

1. Pradhan Mantri Jan - Dhan Yojana Progress Report 2023 2. Ministry of Finance 2021
Source: Primary research based on 50+ interviews conducted; BCG Proprietary Data

By 2030, Bharat's economy is expected to be as large as India of today



Significant contribution to India's economic growth

Rural India, with a 47% share in India's FY22 GDP, emerges as a crucial catalyst for the country's economic growth with its GDP expected to grow from \$1.6Tn in FY22 to \$3.4Tn in FY30¹. Notably, the rural per capita income is projected to experience a significant 3.5x growth, and the global share of agricultural exports is expected to double to 5% by 2047². This upward trajectory underscores its potential to create a substantial impact on a global scale.



Next set of profitable users from Bharat

As rural income levels rise supported by farm sector reforms and effective government schemes, the next big market of new users to tap will come from Rural India. High potential exists among these next set of users, making it an important sub-segment to target in future.



Huge underpenetrated MSME market positioned in Bharat

Rural India is home to over 50% of India's 6.3 Cr MSME's, employing over 5 Crore rural workforce. Despite the substantial MSME credit demand of 74 Lakh Crores, 65% of it remains underserved, highlighting the immense untapped potential³.

1. IMF, S&P 2. World bank, UNDP, MoF, ICAR 3. Avenduscapital, CRISIL, CRIF

Source: Rural and Agriculture Vision 2047; Ministry of Micro, Small and Medium Enterprises Annual Report 2022-23; CCI Proprietary Income Database; BCG Analysis

Despite Bharat's strides, the financial services sector still lags behind



While internet has reached many rural homes, online financial services usage remains direly underpenetrated. More than 50% of the Internet users today belong to rural India, with an estimated 300 million additional rural India users expected to come online by 2030¹. However, a significant rural-urban disparity still exists in utilizing internet across different categories of use cases. While similar penetration is observed across rural and urban in social media usage, watching Youtube, there is much lower rural penetration in usage of financial services like mobile wallets, banking, internet banking.

Rural penetration is almost at par with urban in social media & related categories but huge disparity in financial services observed

Category		Urban	Rural
Social	WhatsApp / Chatting	81%	81%
	Social Media	70%	50%
Content	Watching Videos / Youtube	75%	68%
	Free OTT	70%	39%
	Downloading Music / Videos	45%	16%
	Reading News	40%	16%
	Online Music Listening / Streaming	36%	13%
	Paid OTT	10%	0%
Search	Search Information	49%	16%
Transact	Shopping	62%	20%
	Mobile Wallets	42%	12%
	Mobile Banking	15%	5%
	Internet Banking	13%	3%
Select	Booking Cabs	15%	2%
	Searching Jobs	12%	3%
Service Delivery	Online Hobby Classes	12%	2%
	Doctor Consultation	8%	1%
	Paid Online Learning	5%	0%

● 60%+ Penetration

● 30-60% Penetration

● <30% Penetration

Penetration %

1. Buzz to Bucks 2020 Survey (N=10,000 ; Urban & Rural Coverage); BCG Analysis

Note: Penetration % among adult internet users (18+ years), Urban India (representative of Metro-Tier 3 towns)

To bridge the divide, financial behemoths are actively propelling access and adoption of financial services in Bharat

Entities throughout the value chain are dedicated to delivering financial services to the underserved Bharat segment. Notable efforts have been made by government, large incumbents as well as new age players to raise awareness, enhance accessibility and improve affordability of financial products. Today, more than 67% of total beneficiaries from Prime Minister Jan Dhan Yojana are from rural and semi-urban India. Incumbents are also expanding their outreach to penetrate remote Bharat corners with 56% of nationwide bank branches in rural and semi-urban geographies. Infact, more than 40% of the new branches have been added in these geographies in last 3 years. Additionally, there is a rise in the number of fintech players, both collaborating as well as challenging legacy players with their customized product offerings for Bharat.

Govt Plans To Open 300 **Branches** Of PSU Banks In **Rural Areas** By Dec

September 5, 2022

PM Modi Launches **Digital Banking Units** To Amplify Financial Inclusion

October 17, 2022

SBI Leads **Rural Banking** for Agriculture with Rs. 2,58,612 Cr Loan Milestone

June 10, 2023

HDFC Bank partners LEAF to offer financial accessibility to farmers

December 15, 2022

HDFC Bank plans 675 **branches** in semi-urban, rural areas in 14 months

May 4, 2023

India Post Payments Bank partners with Koo to promote **financial literacy** in tier-2, tier-3 cities and remote cities

September 13, 2022

Spice Money partners with Axis Bank for **financial inclusion** in rural India

December 5, 2022

Fintech sector is catalyzing India's growth story among unbanked population

March 1, 2023

Source: Press Search; BCG Analysis

However, many deep rooted challenges still persist in serving Bharat



Despite various efforts to improve financial services for rural consumers, several challenges persist, requiring customized strategies. These challenges include limited financial and digital literacy, insufficient focus on rural markets' potential, a scarcity of products tailored to rural needs, and difficulties arising from inadequate formal paperwork and documents. Additionally, costly distribution & servicing, absence of accessible organized marketplaces, and the easy availability of unorganized alternatives pose further obstacles for rural users, pushing them towards potentially exploitative practices. Addressing these hurdles is essential to ensure inclusive and beneficial financial services for the rural population.



Financial Ignorance

- Lack knowledge and understanding of financial products & services
- Low self-confidence in digital banking due to insufficient communication & training
- Inadequate awareness programs for schemes & subsidies
- Limited use of established & penetrated channels



Mismatched Offerings

- Traditional credit decisioning & repayment structure not-suited for erratic/ seasonal income
- Standard product offerings not catering to needs of Bharat (e.g., goal based savings, EMI linked to income flow)
- Cumbersome lengthy processes with non-linkage to updated databases



Diffused Distribution

- Over-dependence on branches; lack of adequate physical infrastructure in vicinity
- Low trust in digital banking due to perceived fraud risk; over-reliance on local unorganized players
- Lack of confidence in BCs for providing their needs; No effective grievance & Redressal Mechanism



Costly Services

- Hidden costs of accessing formal channels through BCs
- Higher charges for Bharat customers to achieve cost efficiency due to small ticket size (Exclusive BCs wanting viable business model)

In addition, we are far from ensuring penetration of comprehensive financial solutions to Bharat

While basic access to banking services has been achieved to some extent among the rural Indian population, there is a need to view financial empowerment more holistically, with emphasis on financial wellness – equipping individuals with knowledge and skills to manage finances effectively and independently, with a long-term perspective towards sustainable financial management. In this ladder of progression, this entails providing **basic access** to ensure availability of fundamental financial services, **financial wellbeing** to enable individuals to effectively manage day-to-day finances, **resilience** to empower people to withstand unexpected financial shocks, and finally, the accumulation of valuable assets over time to build **wealth**. Hence, a comprehensive innovative approach to financial management needs to be formulated to promote growth of Financial Services in Bharat.



Profile | Ramesh Kumar

- 30-35 years
- Resides in a small village in Bihar
- Farmer
- Low literacy



Financial Wellness Meter



Basic Access

- Has a Jan Dhan account
- Puts money in his bank account during good yield season
- Visits the bank branch 10km away from his village



Wellbeing

- Puts away some amount monthly to pay school fee for children
- Plans to take a loan to buy a cow to supplement family income



Resilience

- Understands the benefit of crop insurance - purchases from a trusted financial institution
- Enquires from local bank officials about government schemes and access relevant ones



Wealth

- Buys another stretch of land on loan for his 2 sons
- Aware of a credible micro savings gold scheme & plans to save for daughter's wedding in future
- Invests in SIP/KD

Innovation enabling Financial Access, Inclusion & Wellness
 Knowledge and ability to equally access the products and services that support each step to financial equity

Source: BCG Analysis





02

Unveiling Desires of Bharat

Delving deeper into the real challenges faced by Bharat consumers, six primary friction areas, referred to as 'themes', identified:

My savings need saving from myself: Bharat consumers aspire to save, but irregular income and a lack of financial knowledge hinder their efforts.

Want to Bank, but outside the Bank: Even if they manage to save, higher expenses burden their small savings.

Need money, to get money: Traditional structures do not align with Bharat consumers' needs due to a lack of credit history.

Liquidity secures my future: Bharat consumers get comfort from cash-in-hand, prioritizing immediate needs or liquid savings, over investing in insurance, that will save them from a 'probable' calamity in future.

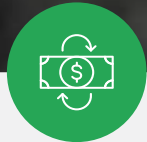
Right to Rights: Limited awareness and understanding prevent consumers from availing the scheme benefits.

Trust Individuals, more than Brands: Bharat consumers prioritize the credibility of the service provider over associating it with any big brand.

To tackle these obstacles, financial institutions must adopt innovative strategies catering to the unique needs of Bharat. Fintech companies play a vital role in driving this transformation, introducing novel solutions and services. This progress faces constraints, including restricted market reach, scarcity of domestic funding, apprehensions regarding collaborations with established players, and regulatory uncertainties that need addressing.

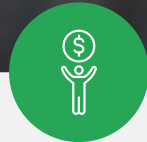
Theme 1 | My savings need saving from myself

While Bharat users desire savings, multiple hurdles exist for actual savings to happen – Financial Institutions need to go beyond providing simple savings products to solutions that encourage and incentivize financial prudence and good financial behavior



Unpredictable Income

Low earnings flow in on an erratic schedule, and not via a “steady paycheck” model making it difficult to plan regular savings in advance



Splurging Temptations

Cash as the main medium, and low bank deposit behavior leads to easy access to visible unused funds tempting them to spend on ad-hoc desires despite an intention to save



Homebound Savings

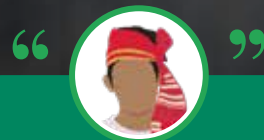
Lack of understanding of external investment options leads to small and frequent accidental, non-deliberate savings stored at home vs. significant sums with faceless financial entities

Implications for Financial Organizations

Design flexible financial products that accommodate varying income levels and timelines, without penalizing the user for the very basic nature of their earnings. Since cash remains the predominant medium of usage, there is a need to develop convenient user-friendly touchpoints to convert cash into bank savings or digital money for transactions, removing the complexity of navigating intricate applications and addressing perceived risks of losing hard-earned money. However, it is evident that offering a financial service alone is insufficient; it must be accompanied by efforts to incentivize financial literacy. This includes teaching individuals when, how much, and where to save, empowering them to make informed financial decisions & also good financial behaviors.



I do not have a fixed salary, and only get paid through commissions from the sales I make – kabhi zyada kabhi bohot kam



Din ke end pe wallet mein paisa, matlab bacchon ke liye samosa-jalebi

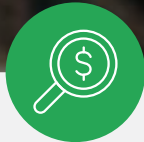


Bank account se acha humara batua aur gullak hai!

Source: Primary research based on 50+ interviews conducted

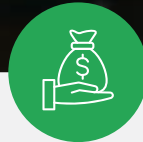
Theme 2 | Want to bank, but outside the bank

If they happen to occasionally save, traditional banking models eat away their meagre savings – Financial Institutions need to go exclusively beyond own outlets to sell & serve customers and must be much closer to them



Visible Price of Unfit Banking

Minimum required account balance results in incurring more financial penalties than the potential earnings from depositing the money in banks



Silent Price of Distant Banking

Distant bank branches and hence travel times, long wait times in bank queues, increases opportunity cost of banking, as banking happens at cost of the day's earning opportunity



“ Jab pehle hi bachat kam hai, tab banks upar se aur kharcha laga dete hain – aur paise bhi direct hi kaat dete hain!



“ Will they (bank) refund us half a day's earnings and travel cost for giving them our own earnings? It is same as keeping my money in the rice jar

Implications for Financial Organizations

Mere replication of financial models (constraints, requirements, processes) from urban markets without considering the distinctive requirements and constraints of the Bharat market, will inevitably lead to failure. Financial models for Bharat must address the challenges prevalent in the region and requires questioning all the assumptions that go into designing financial products. Considering that many people in Bharat rely on limited daily wages, banking services should be brought to their doorstep or local community centers since immediate earnings always supersede the long-term and less obvious benefits of financial products and services.

Source: Primary research based on 50+ interviews conducted

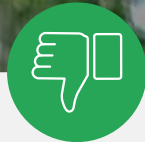
Theme 3 | Need money, to get money

Bharat users face roadblocks in accessing loans from formal channels due to lack of past credit history – Financial Institutions need to fundamentally innovate products and processes to suit Bharat’s livelihoods



Untraveled Credit Circles

Application of traditional underwriting models, and banking processes leads to high rejection rates due to lack of collateral and formal credit history



Payback Burden Overload

Difficult to repay as per fixed schedules, high interest rates, late fee due to unpredictable earning schedules

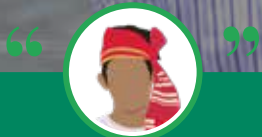


Urban Wings for Rural Birds

Mismatch in traditional loan disbursement processes – total upfront payment - vs Bharat needs - small amounts basis fluctuating credit needs

Implications for Financial Organizations

Revamping internal processes is critical for serving the Bharat market effectively. Current traditional banking models act as gatekeepers for Bharat consumers, limiting their access to financial services. To remain viable and relevant, financial credit products must be redesigned specifically for Bharat incorporating features like decisioning based on alternate data (telco, smartphone usage) flexible and low variable interest rates to enhance accessibility and affordability. Furthermore, loan repayment models should offer the flexibility to align payments with earnings, such as structuring loans based on the crop cycle rather than monthly installments.



At the bank, you need to show money to get money – why would I be there if I had it already?



I need to borrow a few thousand rupees for two months and can only pay back after we go to the mandi – but no bank allow that, so I need to go elsewhere even if they charge more but let me pay later

Source: Primary research based on 50+ interviews conducted

Theme 4 | Liquidity secures my future

Bharat users emphasize immediate needs, often at the expense of investing in insurance. Financial institutions must simplify insurance processes and collaborate with local advocates for improved accessibility



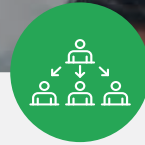
Affordability Dilemma

Financial constraints hinder insurance access, as high premiums divert resources from essential needs



Short-Term Gain vs. Long-Term Insurance

Short-term needs are prioritized, resisting long-term investments like insurance due to the perception of minimal immediate benefits, favoring liquidity, and risking future uncertainties



Awareness Gap

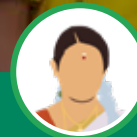
Govt. insurance schemes aim to offer financial protection, but limited awareness leads to confusion & underutilization, with unclear benefits and claims

“



We have more expenses than earnings, making it impossible to afford insurance premiums. LIC agents approach us to buy insurance, but we decline due to immediate needs and financial constraints

“



Insurance deductions are common, but claims approval is rare in our village, often involving complex and unclear processes

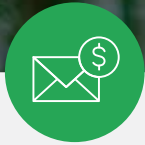
Implications for Financial Organizations

There is substantial need to enhance service efficiency and make the process of accessing insurance more user-friendly. Furthermore, insurance terms can be simplified, eliminating hidden criteria for easy comprehension. Additionally, collaborating with local advocates to share success stories and providing personalized guidance through "Insurance Mitras" can facilitate insurance uptake among Bharat users, making it more accessible and tailored to their needs.

Source: Primary research based on 50+ interviews conducted

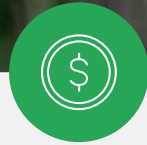
Theme 5 | Right to Rights

Bharat users are left grappling to access government benefits, insurance and financial support due to lack of information and transparency. Financial institutions need to prioritize information dissemination and accessibility for Bharat customers, going beyond basic services



Unclaimed Treasures

Underutilized benefits despite multiple schemes due to limited awareness, understanding & scheme publicity



Hidden Benefit's Expenses

Hidden costs in accessing benefits in the form of application fees, documentation preparation fees and even silent bribes



Complex Process Puzzles

Unclear and intricate enrollment processes, lengthy paperwork and layers of bureaucracy

Implications for Financial Organizations

Establishing efficient communication channels to reach consumers and raising awareness through local touchpoints hold immense significance. To ensure the widespread distribution of scheme benefits, affordability, transparency (with no hidden costs), and simplification (with limited documentation) should be considered. Involving local influencers and community leaders can substantially improve accessibility, empowering users to conveniently access the entitled benefits. By proactively implementing these measures, the impact of the scheme or subsidy can be optimized, reaching the intended beneficiaries and promoting a stronger sense of financial inclusivity across the target population.

“



”

There are many schemes of which we are not aware of... Urea is 246 after subsidy but we are still paying 310

“



”

Ask anyone – saving to get a BPL card is enough to make you BPL itself... people who can afford to pay and get it are not the ones who truly need it

“



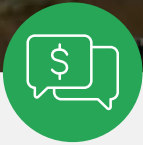
”

Sarkaar ke bohot schemes hain par hame time nahi hai dekhneka kaunsi scheme hai, kaise enroll kren. Sab eek bade board par dalna chaiye

Source: Primary research based on 50+ interviews conducted

Theme 6 | Trust Individuals, more than Brands

Bharat prioritizes service delivery, trust driven by personal relationships - over the brand behind the service. Financial institutions must pivot towards building relationships rooted in values of Bharat customers, keeping trust at the core of their service



Service over Brand

Service benefit and trust drive customer stickiness over brands – Trust in local service provider is led by his/her reputation & vintage within community



Human-led Digital Navigation

Lack of trust in digital apps, driven by concerns over potential frauds - trust in the service depends on the service POC over the actual application



Personalized Transaction Flexibility

Prioritized service delivery, especially during emergencies and flexibility to 'Pay Later' driven by personal relation with service provider

Implications for Financial Organizations

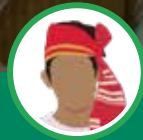
There is substantial need to focus on the enhancement of service efficiency and the seamless, hassle-free nature of the process. Innovative solutions, especially those incorporating end-user facing technologies, should be closely linked with local community members—trusted individuals who can help when required. While encoded financial processes tied to formalized systems have their merits, they may leave vulnerable individuals at a disadvantage. Therefore, it becomes essential to incorporate built-in flexibility in services to cater to the distinct needs of Bharat users, ensuring their financial well-being and empowering them to thrive.

“ ”



Kaunsi company hai vo to nahi pata, but vo dukaan par humara bill pay kr dete hai

“ ”



My online experience depends on the relationship with shopkeeper bhaiya

“ ”



Bank mei to time par hi paise dene padte hain, late hone ka darr rehta hain... aas padosi se choti udhari maang kr chal jata hai

Source: Primary research based on 50+ interviews conducted



To address Bharat's financial requirements, Banks and NBFCs need to innovate at multiple levels

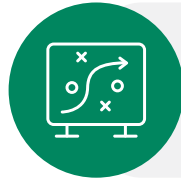
Owing to certain unique defining characteristics of Bharat consumers, innovation for this sector requires deep understanding of their constraints and needs.

What to create?

To effectively cater to the diverse Bharat segment, the solution should be customized to meet the specific needs of sub-segments, such as offering targeted solutions for women entrepreneurs. Moreover, the solution must prioritize convenience and user-friendliness to promote sustainable usage and widespread adoption.

How to deliver?

To optimize the reach and effectiveness of these solutions, it is crucial to strategically leverage familiar and frequently used channels. Additionally, building connections through trusted community touchpoints enhances the delivery process, instilling a sense of trust and receptiveness among the Bharat consumer segment.



Self-selling products

Create targeted solutions with simplified processes



Banking made Easy

Design for quick understanding and easy adoption



Go beyond the branch

Utilize well-established channels and networks to provide secure, e2e services



Powered by your own

Leverage trusted, human connections

Fintechs play an important role in driving innovation to serve Bharat (1/2)

Fintech companies, armed with cutting-edge technology, are leading financial inclusion in Bharat, complementing state efforts to make crucial financial services more accessible and promote sustainable livelihoods

Siply	Dvara KGFS	Pay Nearby	Nira
<p>Literacy driven micro-savings and lending platform supporting savings as low as 1 INR</p> <ul style="list-style-type: none"> • Flexible model to pause/restart savings at will • Videos to enhance understanding of basic financial topics • Gold schemes to invest in physical gold with as less as INR 450/month 	<p>Suite of financial services for the underserved using holistic Wealth Management Approach</p> <ul style="list-style-type: none"> • Customized KGFS1 branches for geography, economic status, language • Gap analysis for tailored financial advice • Holistic product suite - credit, insurance, loans, etc. 	<p>Facilitating last mile reach for financial services leveraging local retail stores</p> <ul style="list-style-type: none"> • Multi-service app for enabling basic financial and digital services • Service delivery through local Digital Pradhans in retail shops • Easy-to-use application interface in 10+ languages • Zero additional investment, zero working capital opportunity for small scale retailers 	<p>Instant loan application providing loans up to 1 lakh in under 24 hours</p> <ul style="list-style-type: none"> • 3-minute online approval process for loans up to 1 lakh INR without CIBIL score requirement • Loan amount disbursal via the online app in under 24 hours • Loans at low interest rates with long repayment timelines
<ul style="list-style-type: none"> • Inculcates savings behavior • Drives financial literacy • Designed to accommodate erratic income levels 	<ul style="list-style-type: none"> • Solves for targeted individual problems • Multi-service solution to maximize household financial wellness 	<ul style="list-style-type: none"> • Higher trust in local Pradhan • Regional languages for easy adoption in villages across country • Convenience of accessing multiple services at one place 	<ul style="list-style-type: none"> • Saves time and effort for rural users in travelling to far away bank locations • Low TAT for financial support in case of unexpected urgent requirements

Note: The examples are illustrative to showcase the innovation, and are not an assessment of effectiveness or sustainability of innovation

Source: Basis In-depth interviews by BCG with 20+ FinTechs, VCs & Incumbents to capture Voice of Fintech Ecosystem

Fintechs play an important role in driving innovation to serve Bharat (2/2)

Fintech companies, armed with cutting-edge technology, are leading financial inclusion in Bharat, complementing state efforts to make crucial financial services more accessible and promote sustainable livelihoods

Kaleidofin	Kosh	Navana	GramCover
<p>Plug and play platform for enterprises to provide customized solutions</p> <ul style="list-style-type: none"> Tech solution that can be adapted across enterprise workflows KaliedoPay payment platform to providing flexible payment options KiScore Ai-based credit analytics for lenders for better underwriting & customers to improve credit health 	<p>India's first group loan app based on community credit targeted towards blue collar workers</p> <ul style="list-style-type: none"> Joint liability loans within coworker/friend groups Quick sign-up with minimal documentation requirement Instant loan approval with flexible payment tenure, flexible EMIs Allied Kosh community chat app 	<p>Technology company enabling enterprises to reach last mile customers</p> <ul style="list-style-type: none"> Automated solution to reach & convert shoppers via Whatsapp Voice guidance tool to assist users to navigate app in local languages Multilingual speech APIs that can be tailored across use-cases for ease of usage, with minimal typing 	<p>Composite insurance broking firm providing customized products for rural India</p> <ul style="list-style-type: none"> Technology led distribution model Paperless onboarding directly on mobile phones Partnership with prominent players in rural ecosystem, VLEs Dashboard for insurance companies for real time monitoring, insights Product suite for motor, crop, livestock insurance
<ul style="list-style-type: none"> Payment platform accessible across smartphone, non smartphone users/varying data connectivity Flexible payment options for customers Credit analytics to improve profitability for enterprises; customized suggestions to clients 	<ul style="list-style-type: none"> Product offerings catering to Bharat needs – minimal documentation, flexible payment options, timelines, instant approval Leveraging community credit to enhance accountability, support and minimize risk 	<ul style="list-style-type: none"> Improves accessibility across use-cases by providing assistance in local languages Minimizes need for typing, for digitally challenged users Enables usage of WhatsApp, a familiar medium, for communication 	<ul style="list-style-type: none"> Customized and affordable product offerings for rural insurance Reaching rural corners leveraging local VLEs Partnerships through well-penetrated rural channels

Note: The examples are illustrative to showcase the innovation, and are not an assessment of effectiveness or sustainability of innovation

Source: Basis In-depth interviews by BCG with 20+ FinTechs, VCs & Incumbents to capture Voice of Fintech Ecosystem

However, their speed is constrained due to multiple challenges

Despite the positive changes, there are multiple challenges restricting the speed & impact of their innovation

4 major roadblocks encountered by Fintechs in unlocking impact for Bharat:

Limited Market Access



- Lack of “Trust / Credibility” due to limited experience of fintechs with FIs
- Incumbent’s inability to differentiate offerings of small startups
- Difficult for fintechs to generate trust in crowded new market

Difficulty in Incumbent Interfacing



- High integration TAT due to data security concerns
- Challenging integrations due to non-uniformity in bank architectures
- Lack of governance expertise leading to "inventing the new wheel" every time

Shortage of Capital



- Hesitation of domestic investors / family offices for early-stage FinTechs
- Misalignment of return objectives of VCs
- Limited low-cost venture debt options

Limited Regulatory Clarity



- Inability of small fintechs to meet licensing requirements
- Limited voice of small fintechs in feedback collected by regulators from fintechs
- Low expertise of fintechs in interpreting regulation change

Source: Basis In-depth interviews by BCG with 20+ FinTechs, VCs & Incumbents to capture Voice of Fintech Ecosystem



03

Innovating Financial Solutions for Bharat

To develop sustainable solutions for Bharat consumers, financial institutions should assess three essential elements when pursuing innovation:

Desirability: Does my solution address a key customer pain point or need, and hence will be self-selling?

Viability: Is my solution ROI positive, scalable and has the potential to unlock significant business impact and value for the organization?

Feasibility: Can my solution be built and operationalized at full-scale?

Companies like HDFC Bank, IDFC Bank, Federal Bank, Axis Bank, Money Purse, Jigyasa Rurban, Meesho and Spice Money have already taken significant strides in innovating for Bharat consumers.

Meesho's local reseller-based model and simplified eligibility criteria promote financial inclusion. Axis Bank's digitized hub-and-spoke model and collaborations with public sector banks have improved accessibility. Spice Money's assisted doorstep access and rural-centric corporate partnerships empower rural users. Money Purse's digital solution for SHG women and micro-entrepreneurs, alongside innovative credit channels, uplift underserved areas. Upaz's optimized land-size packages and elimination of intermediaries enhance productivity and direct access for farmers. These initiatives collectively aim to make financial services more accessible and tailored for rural communities.

In the forthcoming pages, a series of innovation case studies will be explored. These case studies, generated through one-on-one discussions, aim to illustrate a wide variety of innovative examples. It's important to note that these examples are selectively curated and not exhaustive.

Sustainable innovation is all about finding the best ideas that are simultaneously desirable, feasible and viable



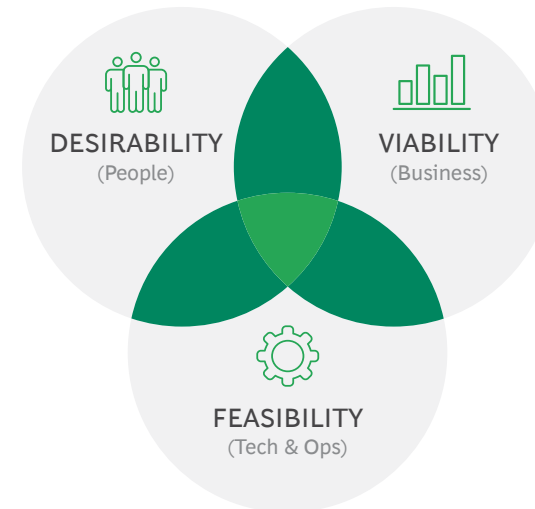
To foster sustainable innovations, financial institutions must emphasize three pivotal elements: desirability, ensuring their offerings cater to Bharat's needs and preferences; feasibility, assessing the practicality of implementation with available resources; and viability, evaluating the potential financial returns and long-term sustainability. By striking a balance between customer-centricity and astute business acumen, institutions can create solutions that drive growth, prosperity, and positive impact for Bharat.

Are we addressing critical customer pain points and needs?

- Does the innovation solve a problem or meet a need for Bharat?
- Does it simplify presently challenging processes?
- Does it improve accessibility for a financial service/ product?

Will it create self - sustainable business impact and unlock value?

- Does the innovation have sustainable unit economics?
- Can it generate revenue/control cost to self- sustain the business?
- Does this create an intangible value for the brand?



Can we build and launch this idea?

- Is it technically/ operationally feasible? What are the risks?
- Do we have/can acquire the capabilities to build this at scale?
- Is the external regulatory environment conducive towards the innovation?

For desirable innovation, an idea needs to be highly relevant, relatable and easily accessible



Assessment of an innovation's desirability involves a comprehensive evaluation of its multiple multi-faceted attributes. A highly desirable innovation maximizes impact by addressing critical problems faced by a large user base and ensuring easy discovery and onboarding to streamline access. Designed for universal inclusion, it incorporates features that elevate user value by effectively combatting specific challenges. Moreover, it doesn't just end with a powerful offering; it goes the extra mile to ensure ease of adoption and sustainable usage by aligning with familiar behaviors and practices, thus significantly reducing cognitive load and promoting a seamless user experience.

High Relevance

The innovation benefits large number of users by solving pressing consumer needs



E.g., Solves critical challenges for a large set of users – like farmers, women, etc.

Easy Discovery and Onboarding Processes

The innovation improves the discovery of service by Bharat users, and facilitates seamless onboarding



E.g., Easy enrollment/access to service, without complex login, formal documentation

High Accessibility with Universal Design

The innovation ensure inclusive experience for Bharat users, designed to overcome specific challenges



E.g., Application and tutorials in local language understood by the target users

High Relatability to Current Practices

The innovation builds on familiar behaviors and experience to facilitate quick learning & sustained usage



E.g., Easy to operate as it uses familiar app like Whatsapp. for basic communication

The innovation high on desirability has ...

Higher viability is driven by higher financial, operational, strategic & clinical value along with scalability



Evaluating the viability of an innovation involves employing various metrics that gauge both tangible and intangible aspects of the business opportunity. A highly viable innovation goes beyond mere profitability; it focuses on generating long-term financial value, ensuring the sustainability of the innovation model and strategically positioning the business for success, unlocking new growth opportunities and market advantages. Additionally, it creates operational value by streamlining and simplifying complexities, enhancing overall efficiency and enabling the business to scale rapidly and cost-effectively, outpacing the traditional working models to drive unprecedented growth.

Creates Financial Value

The innovation boosts top-line by capturing new users/markets or charging premium and/or lowers operational costs



E.g., Digital delivery for traditionally offline service, reaching Bharat consumers at low cost

Creates Operational Value

The innovation reduces operation risks, legislative or compliance obligations



E.g., Alternate data-based risk assessment (smartphone data) and loan approval

The innovation high on viability ...

Creates Strategic & Clinical Value

The innovation contributes to strategic objectives, generates differentiation and/or improves operational viability



E.g., Faster turnaround for a service (like credit approval), used in case of emergencies by Bharat

Facilitates Scalability

The innovation enables quick and/or cost-effective scalability of product/service



E.g., Developing on-ground touchpoints via local Adhikaris to reach remote rural areas

Highly feasible innovations have lower technical, operational, logistical complexity



Assessing the feasibility of an innovation involves a thorough evaluation of its execution complexity. A highly feasible innovation is one that is technically possible to build and can be efficiently executed, making use of the existing operational capabilities and well-established organizational structures and policies. It aligns seamlessly with the company's long-term vision, garnering strong support and endorsement from the organization's senior leadership. Additionally, the innovation is anticipated to comply with external trends, or policies, further contributing to its potential success.

Technically feasible

The technology driving innovation is proven, less complex to build, and requires capabilities that are easily available, or can be easily acquired



E.g., Accessibility on devices owned by Bharat users, like feature phones

Strategically aligned with company goals

The innovation positively impacts entity's core business and is supported by senior leadership



E.g., Dedicated organization processes with frequent check-ins on progress by leadership

The innovation is high on **feasibility** if it is ...

Easy to Operationalize

The implementation of innovation is possible under existing organization structure, capabilities, legal and compliance policy, available talent as well as Bharat context



E.g., Existing means to develop enabling ecosystem in rural areas via partnerships, etc.

Supported by external factors

The innovation is compliant with existing as well as foreseeable social, regulatory and policy frameworks



E.g., In-line with social laws prevalent in the local community



CASE IN POINT



HDFC Smart Sathi | Transforming last mile banking delivery

All-in-one platform offering quick agent onboarding, banking products, transaction capabilities, services and more



Addressing Key Challenges for Bharat

- Lengthy onboarding processes deter Bharat users from using banking services
- Heavy reliance on partners' digital infrastructure causes vulnerability and service delays
- Inconsistent experiences across partners create confusion and dissatisfaction
- Bharat users' diverse needs require a flexible approach to product and service customization

Cloud-based white-labeled solution



40+ banking products (incl. loans)



Real-Time Agent Onboarding



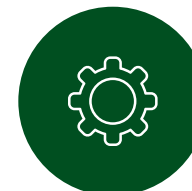
Omni-Channel Experience



Multiple Language Support



Partner-Level Customization



Plug-Register-Play platform

Source: HDFC Bank; Secondary Research

Business Model Innovation

Cost Efficiency

- 1/10th cost of servicing and acquisition in comparison to traditional model
- No Physical Infrastructure for the bank

Reduced Go-to-Market Time

- Single One time API Integration for partner
 - Agent onboarding in minutes
-

Distribution Innovation

Single App for all Products & Services

- Enablement of 40+ banking products at platform
- 180+ services delivered on platform without human intervention

Distribution@Scale

- Increased partner tie-ups on business
 - Ease in management across all partners with one control unit at Bank level
 - Risk Mitigation with complete API integration in the bank
-

Product Innovation

Plug-Register-Play Platform

- Real-time Agent onboarding leveraging AI and ML to reduce the TAT
- Simple onboarding process for agents and customers

Platform Personalization

- Ability to customize the platform at the product level for catering to diverse customer needs

Pro-active Communication

- Improved communication with agents and customers through push notifications
-

Source: HDFC Bank; Secondary Research

Financial Services Innovation for Bharat | Innovating Financial Solutions for Bharat

HDFC Smart Sathi through the D-V-F lens

High Desirability

- Partner-level customization to adapt to the specific preferences of rural customers
- The "Plug-Register-Play" platform for simple, easy and user-friendly onboarding experience

High Viability

- A 1/10th reduction in servicing and acquisition costs ensures to make services economically viable

High Feasibility

- The white-label solution and single API integration simplify partner engagement, promoting rapid adoption and scalability
- Reduced GTM time to 1 week from 6-7 weeks

CASE IN POINT



IDFC | Empowering Rural India Through Innovation

Paperless revolution, enhanced workflows, automation and more



Addressing Key Challenges for Bharat

- Higher Turnaround Time (TAT) for loan approvals and transactions
- Dependency on physical documents leading to potential errors and inefficiencies
- Limited financial awareness and technology adoption in rural areas
- Customer trust and loyalty in banking services need reinforcement

Faster TAT & seamless journey



E-KYC & E-Sign



Digitally enrolled insurance



Rule based eligibility scorecard



Automated disbursements



Full Customer SMS journey



Error free end-to-end transaction

Source: IDFC Bank

CASE IN POINT



Federal Bank | Redefining accessibility with conversational banking

Insurance scheme offerings on WhatsApp



Addressing Key Challenges for Bharat

- Low awareness of insurance schemes viz. Pradhan Mantri Jeevan Bima Yojana (PMJJBY) & Pradhan Mantri Suraksha Bima Yojana (PMSBY)
- Limited understanding of the enrollment process and benefits resulting in the schemes being significantly underutilized

Distinctive Features Enhancing Financial Inclusion



Ease of Enrolment that allows subscription in very short conversation



Virtual engagement use of images, videos & text to explain scheme effectively



Real time communication via WhatsApp



Instantaneous service Customers can provide nominee details and consent via OTP



Simplified process with easy of conversation with bank



Cost-effectiveness Operational cost less than Rs.1

Transformative Outcomes

- Better reach with simple & well-penetrated channel of WhatsApp for availing insurance scheme
- Provides convenience, cost-effectiveness & real time interaction

Source: Federal Bank

CASE IN POINT



Axis Bank | A private bank's segue into Bharat

Leading private incumbent with a specialized Bharat Banking Unit eyeing the huge economic potential of Bharat



Addressing Key Challenges for Bharat

- Limited access to physical banking infrastructure with low digital literacy to use digital infrastructure
- Limited access to lending facilities
- Unavailability of formal paperwork or documents
- High cost of servicing rural consumers

“
Bharat Speaks

As the bank branches are far away from the village, the process of A/c opening of Axis Bank at my neighborhood outlet helped me in creating my financial identity

2K+

Bharat banking branches

650+

Districts served

54K+

CSC VLE network

86%

YoY growth in Bharat branches with >5 monthly products

Source: Axis Bank, Analyst Presentation

Distribution Innovation

Phygital Access Points

- Axis branches in remote areas designed for rural users
- Digitized hub & spoke model, expanding reach through partnership with Business Correspondent (BC) model
- Multi-stakeholder engagement leveraging Mandi ecosystem
- Partnerships with rural centric corporates (fertilizer companies, etc.) & well-penetrated govt. bodies (CSC)

Business Model Innovation

Digital Co-Lending Models

- Partnerships with NBFCs, MFIs, for tech-enabled joint lending model for shared risk-reward

Product Innovation

Product Suite Customized for Bharat

- Kissan Credit Card: Credit at minimal interest rates
- Agricultural gold loans: Loans against jewelry - with flexible withdrawing, interest as per usage
- Axis OK App: Multilingual no-internet mobile banking app
- E2E digital process (supported by API banking) for customer onboarding
- Virtual Instakit: Designed to cater the RuSu (rural & semi-urban) market

...supported by innovation in enablers

Empowered Organizational Structure

Specialized Bharat banking unit with focused learning programs

Optimizing Efficiency through Digital and Data

Sourcing cost reduction for PSL businesses and predictive analytics for customer assessment

Innovative Risk Management Solutions

Technology driven solutions to monitor risk & customize risk thresholds basis geographies

Source: Axis Bank, Analyst Presentation

Axis Bank through the D-V-F Lens

High Desirability

Generating value for Bharat consumers

- Hassle-free paper-less onboarding experience without branch visits
- Tailored offerings directed at consumers pain points

High Viability

- ~5 Lakh new accounts opened in 4 months
- Manpower cost savings across value-chain from acquisition till activation
- Zero logistics cost; Eliminated paper transition & storage cost

High Feasibility

- Leveraging capital, reputation for high impact partnerships with BC distribution network; 1 Lakh+ agents activated across 4 BC partners
- Bharat-focused org structuring indicating high leadership investment

CASE IN POINT



Money Purse | Pioneering Bharat's Financial Renaissance for rural SHGs

Revolutionary Platform for Bharat -
digital financial empowerment, doorstep
cash management, real-time transaction
insights and beyond



Addressing Key Challenges for Bharat

- Complex processes delay SHG loans, require dual signatory authentication
- Internal lending results in interest loss, record-keeping issues in SHGs
- Cash handling risks in SHGs: security, financial tracking challenges
- Banks lack real-time individual SHG member data for decisions
- Limited tech adoption in the lending process affects record accuracy, data sharing

"Money Purse: The Last Mile Partner"

A Unified platform by Anniyam Payment, launched in January 2023

150+

Agents
pan-India

1000+

SHG groups
served

4+

Zones
coverage

7+

Strategic
partnerships
including
PS banks

Source: Discussions with Money Purse team, Secondary Research

Business Model Innovation

Strategic Partnerships to Ignite Reach

- Collaboration with Public sector banks amplifies Money Purse's reach and credibility
- Leverages expertise and resources for widespread market access and women's empowerment

Unified Neo Banking platform

- First of its kind platform to enable digital journeys for Self-Help groups & Joint Liability Groups

Distribution Innovation

Assisted Doorstep Access

- An assisted model through existing agent networks, extending the reach of financial institutions to underserved areas
- Provides access to banking and financial services without physical branch visit

Product Innovation

Digital Financial Services

- Digital docs, E-signing, hassle-free processing, enhancing efficiency and convenience

Real-time Transaction-based Book-keeping

- Transparent, current financial records; aids improved group management and decision-making

AI-powered Attendance Verification

- Enhances loan disbursal efficiency through AI-based facial recognition for meeting attendance

Real-time digital data

- Member-level credit history and analytical reports, aiding financial institutions in making informed lending decisions
- Use of ML to assess creditworthiness based on parameters set by IBA and NABARD

Source: Discussions with Money Purse team, Secondary Research

Money Purse through the D-V-F Lens

High Desirability

- Comprehensive digital journeys to empower SHG women and micro-entrepreneurs
- Assisted model provides doorstep financial access, uplifts social status
- Value-added services like gold investment further benefit members

High Feasibility

- Leveraging existing agent networks in Bharat to provide access to financial services
- Real-time digital data from the application to provide scalable lending assessment



CASE IN POINT



Jigyasa Rurban | Diverse, equitable and inclusive marketplace

Retail revolution by delivering quality products using tech



Addressing Key Challenges for Bharat

- The persistence of low-quality, counterfeit products in rural areas remains a concern
- Access to formal credit for retail consumer product purchases remains unavailable
- Rural consumers still lack access to modern-day convenience in ordering and delivery

13K+

Customers served

60K+

Orders processed

42

Team size

900

Villages served

Source: Discussions with Jigyasa Rurban team, Secondary Research

Business Model Innovation

- Centralized warehouse for order processing, streamlining logistics and ensuring cost-effective operations.
 - E-grocery model with doorstep delivery, reducing operational costs while enhancing customer convenience
 - Empowers consumers by offering free microfinance services with interest-free credit to consolidate monthly consumption
-

Distribution Innovation

- Joint Liability Group (JLG) model ensures reliable demand aggregation and credit offerings, fostering sustainability
 - Targets women exclusively for membership, expanding their access to essential products
-

Product Innovation

- A diverse product range to meet the varied needs of rural consumers
 - Ensures quality assurance, addressing the issue of spurious products common in rural areas
-

Source: Discussions with Jigyasa Rurban team, Secondary Research

Jigyasa Rurban through the D-V-F lens

High Desirability

- Hassle-free doorstep delivery for groceries in remote locations
- Access to genuine, high quality products for customers
- Interest-free 28 day credit facility for customers

High Feasibility

- Centralized warehousing and efficient logistics system for overall distribution scalability



CASE IN POINT



Meesho | Empowering Entrepreneurs and Redefining Social Commerce

Reseller-based social commerce platform exemplifying disruption best tailored for people of Bharat

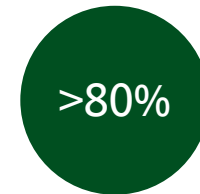


Addressing Key Challenges for Bharat

- Limited digital literacy and difficulty in adopting new tech processes
- Limited financial means for business investments (resellers)
- Highly value conscious in purchase decisions
- Trust in social circle more than brands for purchase decision



Customers pan-India



Customers from Tier-2 and beyond



Resellers onboarded on platform



Resellers from Tier-2 and beyond

Source: Secondary Research

Product Innovation

WhatsApp to Enhance Outreach

- Familiar, frequently used platform for reseller-customer communication

WhatsApp for Communication

- Easy to navigate application

Multilingual Instruction Videos

- Local language support for resellers
-

Business Model Innovation

Inventory Light Model

- Zero investment - Zero delivery logistics responsibility for resellers
- Resellers flexibility to determine product margin basis local price elasticity

Robust Supplier Network

- Curated supplier network for high-quality, low-priced products
 - Zero commission model to minimize selling price
-

Distribution Innovation

Dependable Community Resellers

- Sales facilitated by local physical POC
 - Meesho brand identity hidden during reselling process
-

Meesho through the D-V-F Lens

High Desirability

Generating value for Bharat **consumers**

- WhatsApp based communication for easy usage
- Low-cost products for value-conscious buyers due to zero-commission model
- Purchase via trusted local resellers

Generating value for the **reseller**

- Zero investment & fuss-free business opportunity for financially constrained resellers

High Feasibility

- Local reseller-based model with high understanding of local product preferences
- Lightest Indian application (in app size) for resellers using phones with limited storage
- No application required for buyer, communication on familiar WhatsApp application

High Viability

- Emphasis on high quality supplier network to ensure minimal logistics costs on return
- Capturing high potential growing market of rural shoppers seeking access to value products

CASE IN POINT



Spice Money | Spicing up the Bharat Banking Revolution

Super App for Bharat - banking services, payment facilities, cash collection, travel assistance – among many others



Dilip Modi
Founder, Spice Money

JAM trinity has truly been transformative for Bharat. The seeding of every citizen's Aadhar identity with their bank account has enabled us at Spice Money to convert a merchant in a small village with a smartphone connected to a biometric machine to become an ATM banking point for the community living in that village. With a coverage of over 250,000 villages with over a 1 million merchants, we offer a unique proposition now to all banks and financial institutions to serve millions of consumers and small businesses in Bharat in a very cost efficient way with innovative small ticket financial products.



Addressing Key Challenges for Bharat

- Lack of physical banking infrastructure (ATMs, branches) in remote regions
- Limited digital literacy, requiring assistance for basic support
- Trust in social circle over brands for purchase decisions
- Difficulty in trusting and reaching out to multiple individuals & entities for different services
- Limited financial means for business investments (Adhikaris)

“
Bharat Speaks

For my urgent fund requirement, I applied for a gold loan at a Adhikari outlet next door and with his support got the funds within 48 hours in my account

250Mn+

Customers pan-India

2Lakh+

Villages covered

18K+

Pincode coverage

22Mn+

Monthly transacting customers

Source: BCG Analysis

Business Model Innovation

Multi-Service Super-App

- Dependable one-stop multi-service shop -saving time, effort, confusion in dealing with multiple entities

Ecosystem Value Distribution

- For customers: easy access to various services
 - For Adhikaris: zero investment business opportunity
 - For service providers: Cost-effective access to hard-to-reach customers
-

Distribution Innovation

Open Network Assisted Digital Distribution

- Local representatives(Adhikaris) operating booths in remote areas within short home/workplace radius

Fostering Local Connect

- Reliance on familiar faces in community
 - Trained, digitally proficient Adhikaris as service enablers
-

Product Innovation

Designed for Ease of Adoption

- Aadhaar enabled Payment Systems (AePS), mobile ATMs as an alternate to sparse physical ATMs
 - Bharat Bill Payment System to enable cash collections from agents/rural consumers
-

Spice Money through the D-V-F Lens

High Desirability

Generating value for Bharat [consumers](#)

- Ease of dealing with one entity over multiple
- Convenience of availing basic service nearby vs. distant
- Ease of trusting service due to presence of physical brick-and-mortar shop, POC
- Support of service enablers or Adhikaris

Generating value for the [adhikaris](#)

- Zero investment business opportunity

High Feasibility

- Users with limited digital literacy access the app services via local Adhikaris
- Strategic partnerships with financial services giants

High Viability

- Low-cost model of penetrating tough-to-access rural markets via local POCs
- High physical on-ground coverage via Adhikari model, “super-App” concept differentiating it from other online service providers
- Scalable model utilizing local Adhikari network

Effectively serving financial needs of Bharat consumers will require a comprehensive action plan - covering demand side, supply side and policy interventions

Fostering innovation and inclusion in rural India calls for a united and multi-faceted strategy that aligns various stakeholders across the value chain to implement demand-side, supply-side, and regulatory interventions.

Demand Side Interventions

- **Spreading Awareness:** Financial Literacy through Local Ambassadors & Gamification
- **Tailored Product Design** for unique needs
- **Simplified Banking:** Easy processes & minimal paperwork
- **Fostering the Power of Locals:** Trust & Credibility through local influencers



Supply Side Interventions

- **Bundled for Benefits:** Incentivizing integrated product usage
- **Seamless Digital Experience:** Multilingual & Visual platforms
- **Effective Channels:** Well-penetrated channels for distribution & servicing
- **Smart Credit Decisions:** Harnessing non-traditional sources (smartphone data, etc.)
- **Robust Grievance & Redressal** mechanism with strong SLAs



Regulatory & Policy Interventions

- **Convergence across Industries:** Leveraging the unifying entities (RBI, NPCI, UDAI, FIs, etc.) for Integrated Ecosystem
- **Regulated Distribution** through Fintechs & Banking Correspondents
- **Wholesale Funding** to emerging Fintechs to boost innovation
- **Securing Synergy:** Standardized integration & security protocols for Fintechs & FIs
- **Data-Driven Innovation:** Publishing granular data (gender, geography, etc.) for effective GTM strategy





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