BILL& MELINDA GATES foundation

# **India Strategy**

**Inclusive Financial Systems** 

October 2024

### **IFS THEORY OF CHANGE**

### **Building Blocks**

### **Policy and Regulation**

- Enabling Regulations (including consumer protection regulations)
- Oversight/Supervision
- Policies To Drive Usage

#### Infrastructure

- Mobile Connectivity
- Pro-poor payment systems (L1P)
- ID Systems
- Effective distribution/service network
- Data and sharing mechanisms

### **Private Sector Engagement**

- Compelling CVPs
- Effective marketing and sales
- Good customer service, fraud management, complaint resolution

### **Product Outcomes**

### DFS products & services that are:

Accessible: Users in our target population can easily acquire and use DFS services

**Reliable:** Users' money and information are secure and available for use; features and pricing are clear; systems deter money laundering and terrorist financing

**Valuable:** There is a clear CVP for the poor to use DFS rather than cash or other traditional services

Affordable: End users are willing and able to pay for the cost of preferred products and receive value in excess of cost

**Profitable:** DFS providers earn sustainable margins

### **Usage Outcomes**

# Usage of DFS is ubiquitous by the Poor

By 2030, 80% of adults worldwide and 60% of sub \$2/day adults have and actively use a digital account to make payments and to access additional products beyond P2P

## Usage of DFS is ubiquitous by Women and Girls

By 2030, the gender gap in usage has been eliminated

### Diversification of Usage

Households use an effective range of financial tools

### **Impact Outcomes**

Financial Health + Poverty Alleviation

Fewer people slide into poverty, more people move out of poverty, and daily consumption is increased because of their use of DFS products and services:

#### **Consumption Smoothing**

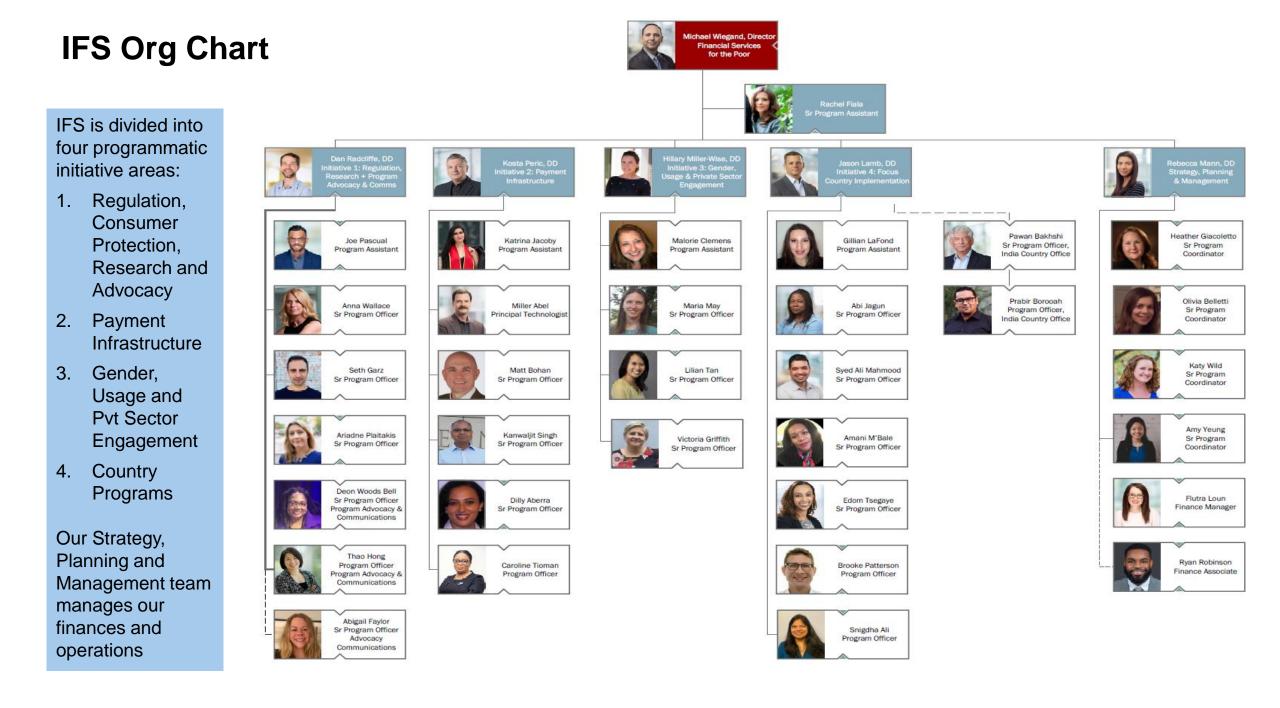
Households use DFS to manage and recover from income and expense shocks

#### **Productive Investment**

Households are better able to acquire equipment and materials that improve their long-term incomes

### **IFS WILL FOCUS ON FIVE STRATEGIC OBJECTIVES**

	Account Ownership & Usage	DFS Supervision and Consumer Protection	Payment 3 Systems	Digital Merchant Payments (DMP)	Productive Credit
What We Want to Achieve	<ul> <li>80% active account ownership</li> <li>Eliminate gender gap in usage</li> <li>Low transaction fees</li> </ul>	<ul> <li>Low levels of fraud and loss</li> <li>Trust in the financial system</li> <li>System efficiently supervised</li> </ul>	<ul> <li>All countries in Africa have an inclusive IPS by 2030</li> <li>150 countries globally have an inclusive IPS (from 85 today)</li> </ul>	<ul> <li>All merchants receive DMP</li> <li>60% of rural customers make DMP on a weekly basis</li> <li>50% of all payments are digital</li> </ul>	<ul> <li>Larger, longer, cheaper loans tailored to microenterprise needs provided at scale</li> <li>Better credit consumer protection</li> </ul>
Why It Is Important	<ul> <li>Even basic account usage drives welfare benefits</li> <li>It's a prerequisite to scaling broader financial products</li> </ul>	<ul> <li>Protection from harm</li> <li>Perceived risk and poor customer services can erode trust and stop DFS usage</li> </ul>	<ul> <li>An important enabler of financial inclusion, innovation, DMP, lower remittance costs</li> <li>Macroeconomic benefits</li> </ul>	<ul> <li>Increasing payment volumes and reducing costly CICO makes DFS more sustainable</li> <li>Holding less cash and creating data streams benefits all</li> </ul>	<ul> <li>Products tailored to the cash flow of microenterprises have clear welfare benefits</li> <li>Without better data, efforts to scale better productive credit for the poor will fail</li> </ul>



### IFS's strategy in India is to increase Access and Usage of Digital Financial Services.

We have approached this by working across institutions, markets, and players

### IFS focused on creating an enabling environment, de-risking large public programs, and engaging the private sector

Enabling environment & infrastructure

Strengthen Distribution



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Pro-poor Innovation Through private sector



Making DPI work for the poor



Intentionality about women & girls



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about

We support the creation of a pro-poor enabling environment for new players, channels, business models, and infrastructure providers with a focus on customer protection including grievance redressal and data privacy to be able to serve the poor sustainably

We work with large government/public sector programs like IPPB, SHGs, Aspirational Blocks program, to address distribution issues to accelerate digital financial inclusion – so that both providers and consumers see benefits and market players and other stakeholders stay open to experimentation

We help Financial Service Providers build compelling value propositions and sustainable business models to serve the poor, rural communities and women with compelling data driven use cases – to achieve the next phase of financial inclusion

We support AA, ONDC and UIDAI be more pro-poor and help the vulnerable segments benefit from the digital ecosystem

Demonstrate India's innovations in digital financial inclusion (DPIs, govt. programs, regulation, policy etc.) globally

We strive to make Digital financial services **gender intentional** to reduce the gender gap in usage and ensure more women benefit from welfare enhancing formal financial tools

### OUR MAJOR PROGRAMS ENCAPSULATE A WIDE-RANGING SPECTRUM OF FI ISSUES AND ARE FOCUSED ON DRIVING USAGE OF DFS

Enabling environment & infrastructure	Identifying and Testing pro-poor customer protection measures for DFS	Network for Training	Future of Finance Initiative (Data Protection)	Scoping exclud geographies ar segments	
Strengthen Distribution	Supporting India Post Payment Bank to provide financial services to poor Pathways to Enhancing Financial Inclusion in India (PEFI) 2	Digital Financial Inclusion in India (DFII) Phase 3 Promoting Financial Inclusi using Community Platform <sup>3</sup>	SHG platform	vomen's	Supporting Aspirational Blocks to serve most vulnerable populations
Catalyze Pro-poor Private Sector Innovation	Leveraging the India Stack to accelerate pro-poor digital financial services Voice-enabled UPI payments in Indian languages	Accelerate Financial Inclus in India through private sec Women's financial inclusion initiative (WFII)	11 0	ses novation the poor &	
Making DPIs work for the poor	use cases for vulnerable Age	•	rt ONDC to onboard n-led enterprises		
India for Rest of the World	Digital Financial Inclusion in India (DFII) Phase 3				6

# Thank You

Q & A