

# **Digital Financial Inclusion in India– Phase 3 (DFII-3)**

**Pillar 2 - Make digital payments work for the low-  
and middle-income (LMI) segments**

## **Insights, Impact, and Challenges**

Project team: Anil Gupta, Akshat Pathak, and Disha Bhavnani

Project Duration: January 2022 to December 2024

# Project overview

- DFII3 Pillar 2 aims to improve access to and usage of digital payments for India's ~1 billion LMI users, particularly for women and vulnerable groups.
- The project addresses critical barriers such as lack of relevant use-cases/value proposition, complicated onboarding processes; non-intuitive UI/UX; inadequate presence, capability, and readiness of the last mile; limited understanding of challenges faced by women, vulnerable and oral segments; and high transaction failures and non-uniform GRM
- Innovations include refining products like Hello!UPI, enhancing agent networks, and boosting adoption of digital infrastructure like UPI and Aadhaar to improve access and usage.

# Stakeholders and Geographies

## Key stakeholders

- National Payments Corporation of India
- Bharat Connect (Bharat Bill Payments System)
- Reserve Bank Innovation Hub
- State Bank of India, Indian Bank, Bank of India
- National Bank for Agriculture and Rural Development
- Ministry of Electronics and Information Technology
- Ministry of Housing and Urban Affairs
- Ministry of Finance
- MFIN and ten partner MFIs
- National Dairy Development Board

## Geographical areas

- The geographical areas covered under this pillar span across the country (pan-India)

# **Project Outcomes Achieved (incl WIP)**

## **2.1 Accelerate usage of digital financial services for LMI people**

- Supported NPCI and NBBL to improve the uptake of existing/new products (AePS, BAP, UPI, UPI 123Pay, Hello UPI, BBPS, and e-RUPI) for P2P, P2B, P2G, and B2B payments and transfers among LMI user segments. Our efforts strengthened the UI/UX, improved onboarding, optimized TAT, increased activity levels, and ensured a consistent customer experience with better GRM. UPI surged to over 14 billion transactions per month. BBPS supported 125 million monthly transactions, and AePS is clocking over 400 million monthly transactions.

## **2.2 Improve the capability and readiness of the last-mile to serve the LMI segment users**

- Worked with the Indian Bank to establish a new, robust, and digitized alternate channel. It helped onboard 13,000 BC agents (including 24% female agents). With the full rollout, they will offer 60 products through BC agents and have a feedback loop to take care of the GRM.

## **2.3 Reduce exclusion for underserved, vulnerable customer segments (including women, oral, and numerate segments)**

- Worked with the RBIH to design, develop, and implement the Swanari Program to impact the lives of more than 331 million adult women, including 13 million women-led enterprises and 7.45 million SHGs. Support RBIH in digitizing the onboarding process for the Unified Lending Interface.
- Collaborated with MFIN to provide cost-effective, seamless, and user-friendly repayment options to 400,000 women borrowers using digital payment methods in partnership with ten MFIs.

# Key Learnings and Insights

## Things that worked

- Worked on process enhancement and product expansion through use case identification with NPCI and Bharat Connect
- Played a strategic role in assisting partners to develop their business strategies. For instance, providing crucial inputs on BBPS strategy to build a digitized collections ecosystem and developing a three-year financial inclusion strategy for the Indian Bank
- Regular engagements with partners have helped us continue to co-publish whitepapers and reports with key partners such as NPCI, NBBL, RBIH, MoHUA, and MeitY.

## Challenges

- Despite increasing UPI adoption, UPI 123Pay and Hello!UPI continues to grow slowly due to limited user awareness and other product design-related issues
- Although UPI failure rates have decreased, technical declines remain steady and business declines are increasing. AePS continues to face technical challenges
- Limited opportunities to collaborate with downstream players like payment aggregators
- Longer gestation period in working with public sector banks and government institutions

## What could have been done differently?

- Greater collaborations among implementation partners
- Improved engagement with government stakeholders and regulators to drive policies around transaction failures and product design for vulnerable segments

# Opportunities for collaboration

- Collaboration with payment aggregators and other payment ecosystem players is essential to creating inclusive solutions and staying at the forefront of digital innovation. This can also help drive impactful, data-driven digital payment strategies that enhance customer experiences and broaden financial access.
- Collaborating with Ministries, government stakeholders, and policyholders is critical to introducing and driving policy changes to improve the transaction failure rates and overall transaction experience for vulnerable groups.
- Working with key public sector banks to institutionalize a long-term strategy for their captive agent networks is critical to improving the last-mile readiness, capability, and feasibility of serving low—and middle-income user segments, particularly women and other vulnerable groups.
- Collaboration with payment aggregators is essential to improve the acceptance infrastructure in Tier II, III, and IV geographies.

# Team Information

**Anil Kumar Gupta**, Director at MSC India, is a hands-on Development Banker and Technology Manager. Anil has more than two decades of experience through projects with development banks, commercial banks, international funding agencies, MFIs, community-based institutions, rural infrastructure projects, and major telecom players in India, China, and the USA. Anil specializes in financial institutions' due diligence, business planning, safe technology management, and technical assistance.



**Akshat Pathak**, Associate Partner at MSC, has over 15 years of experience in banking and consulting. He has implemented large-scale financial inclusion projects with multi-lateral development organizations, government and quasi-government institutions, central banks, banks, FinTechs, mobile money operators, payment system providers, agent network managers, and microfinance institutions in Bangladesh, India, Kenya, Malaysia, Nepal, the Philippines, Sierra Leone, Singapore, Tanzania, Uganda, the USA, Vietnam, and Zambia.



**Disha Bhavnani**, Senior Manager at MSC, has close to ten years of experience in implementing inclusive finance projects with banks, agent network operators, government departments, insurance agencies, clean energy product manufacturers, international funding agencies, microfinance institutions, FinTechs, and community-based institutions in Bangladesh, India, Fiji, Nepal, and Samoa.

