Reflection on Themes

IFS Partner's Meet
24th October 2024

Theme 1: Building Trust and Confidence

Trust & confidence is emerging as a significant barrier adoption and usage of digital financial services (DFS). 47% of the respondents cited lack of trust for the account inactivity and 23% of consumers avoiding formal financial services due to distrust in institutions, and higher urban/rural and gender gap according to the Global Findex'21. Further, grievances related to DFS constitutes the major portion according to RBI reports.

How the Foundation is thinking to address these issues

Focus on Customer Protection

Enhancing protection for bottom-of-the-pyramid populations

Data Protection

Mitigating Data mis-use issues to build customer trust in new processes and systems

Transaction failures

Improving confidence in DFS by reducing transaction failures (e.g., UPI, AePS).

Theme 2: Strengthening Distribution

There is a big urban rural divide in terms of digital infrastructure to successfully penetrate financial products & services – only 35% of people in rural areas own smartphones amid poor mobile and internet network and let alone gender gap. The rural BC channel continues to unviable and not able to deliver all the banking services that a rural customers require. Robust and agile distribution channels are crucial for scaling digital financial services (DFS) and ensuring access for underserved populations.

How the Foundation is thinking to address these issues

Process Improvements with large govt. programs	Enhanced Delivery	Coverage in hard to serve areas
Programs with IPPB & NRLM and PSBs to optimize delivery by introducing efficient and innovative systems and processes	Working with CICO networks to enhance their outreach in underserved hinterland with a focus to make them viable through diverse products and services with gender lens	Special Focus on Aspirational Districts and blocks to enhance the efficiency of the government department to deliver Financial Inclusion programs

Theme 3: Pro-poor Innovations through private sector

There are 263 million Indians in the oral segment and cognitive barriers limiting the use of mobile wallets. 540 million adults didn't make any digital payments, and inadequate rural acceptance infrastructure, combined with a $530 billion MSME credit gap, severely limit financial inclusion. The private sector is more agile and willing to take risks in serving low- and middle-income (LMI) customers, but it often lacks the resources for research and development, as well as the partnerships needed to scale. Support to private sector can drive Innovation in this space to bring forward compelling use cases, sustainable business models, and scalable solutions to drive the next phase of financial inclusion.

How the Foundation is thinking to address these issues

Pro-poor Startup Accelerator Program	Inclusive innovations for non-tech savvy users	Improving lending ecosystem for data poor customers	Accelerate digital payments by merchants
Support Fintechs to enable them to serve Vulnerable customers including women	Address challenges non-smart phone users Using voice tech and other modes.	Experiment and demonstrate a probabilistic cash flow model-based lending for faster access to productive credit by LMI customers	Identify and pilot ways to reduce gaps in acceptance infrastructure in rural areas and generate demand

Theme 4: Making DPI work for the poor

Despite the potential of Digital Public Infrastructures (DPIs) to transform access to services and reduce inequality, only 14% of women access formal credit, and there is a $530 billion MSME credit gap. Additionally, only 5-6% of India's 65 million informal low-income businesses have e-commerce capabilities. Initiatives like the Account Aggregator (AA), Aadhar, and ONDC aim to bridge these gaps, but ensuring these DPIs effectively reach underserved populations remains a critical challenge.

How the Foundation is thinking to address these issues

Enhance pro-poor Use Cases of Digital ID	Make ONDC work for small businesses	Make Account Aggregators work for the poor
Digital ID needs to go beyond account opening - limited pro-poor use cases	Facilitate market linkages for informal businesses, enhance their digital capabilities and confidence, and improve access to finance by integrating them into the ONDC platform	Pilot the use of the Account Aggregator ecosystem and digital consent mechanisms to streamline digital credit applications and disbursals.

Group work formats

Emerging DFS Opportunities and Challenges

Group Name
XXXXX

Group Members' Name

Theme 1: Building Trust and Confidence

What are the Key problems? *Existing & Emerging*	What are the Key Market Failures?	What can be done to address this?	Level of Effort needed (H/M/L)
1. XXXxxx			

Theme 2: Strengthening Distribution

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Theme 3: Innovations through private sector

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