



EXPERT SPEAK



"Technology is not an end-all in itself. I think credit underwriting is the next space where you might see technology increasingly pervading, utilizing vast amounts of data and our digital footprints to evaluate the underlying credit. However, collections are going to be particularly

challenging, because that completes the circle of lending."

- KSHAMA FERNANDES
CEO, NORTHERN ARC



Now, we are faced with a situation where we have a huge amount of data available about our citizens, and of course about our customers and all you have to do is employ this in a gainful way so that you can service these customers.

- VR GOVINDARAJAN
FOUNDER, PERFIOS SOFTWARE SOLUTION



"Agility is very important as it sets the banks apart. Banks function slower as compared to the NBFCs, which is why agility is important. Technological advancements like the use of mobile phones & the internet can help in making information easily accessible anytime anywhere. Hence reducing the demand & reliance on bank branches."

- PUNIT JAIN
CEO, NELITO



"Unless this 'next billion' moves up economically, India will be denied positive dividend from its development. Today with the use of cluster insights, fintech models and mobility based automation, we are reaching out to the 5 crore unorganized micro enterprises and we have already extended working capital loans to over 40,000 of these, across India."

- SANJAY SHARMA
MD, AVE FINANCE



"RBI has prescribed that banking institutions submit their complete data to credit bureaus. By complete data, we mean positive and negative credit history. Thus, in the process what happens is that the bureau gets the entire credit universe that exists within India."

- KALPANA PANDEY
CEO & MD, CRIF HIGH MARK



"While technology on the whole is being very disruptive, when we talk of catering to the unbanked, technology should be restricted to play the role of an enabler rather than think of a situation where technology will replace humans. When it comes to lending to those that haven't had any exposure to the formal banking system, the human touch becomes essential."

- RAMAN AGGARWAL
CHAIRMAN, FIDC

MAINSTREAMING INDIA'S UNDERBANKED

Micro credit, macro impact

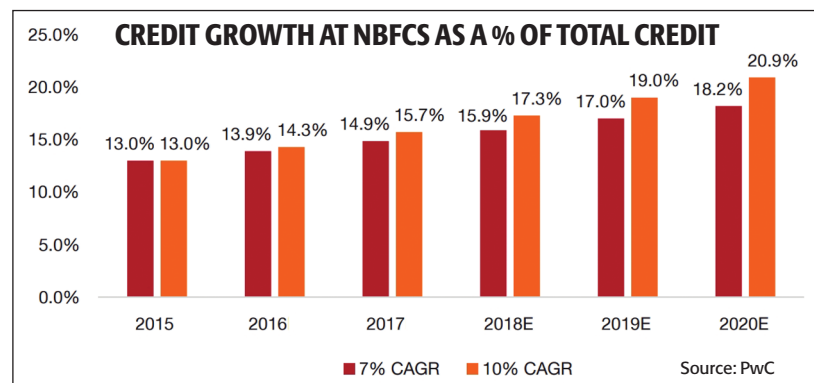
AS THE GOVERNMENT BRINGS UNIVERSAL FINANCIAL INCLUSION INTO FOCUS, NBFCs AND MFIs BECOME CRITICAL ENABLERS IN THE INDIAN MILIEU

India, as someone once remarked, is many countries rolled into one. The common thread across India's diverse tapestry though is the desire to do more, perhaps best epitomized

ET Edge
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by our restless entrepreneurial spirit. It is thus essential to stoke these aspiration fires by ensuring easy and adequate financial access to those that need it most.

With government initiatives such as the Pradhan Mantri Jan-Dhan Yo-



jana ongoing in earnest, there has been a substantial increase in the number of bank accounts. However, a mere 15% of adults have reported using an account to make or receive payments. NBFCs

have stepped in to bridge the void, and through customised product lines, lower costs, wider reach and a deep understanding of their customer segments, they have broken into previously

unreachable bastions to mainstream the unbanked. Clearly, the advent of technological enablers and improving macroeconomic conditions means NBFCs and MFIs are here to stay.

Cutting-edge tech agility

Agile and ingenious financial solutions tailor-made to the Indian context are tapping into latent consumption across the spectrum of consumers



Punit Jain, CEO, Nelito, presided over high-powered deliberations on how technology is fundamentally altering the Indian financial landscape

India's unique challenges, be it improving last-mile coverage, financially mainstreaming India's teeming hinterland populace or more, indicates we have many miles to walk before realizing our blossoming ambitions.

The advent of technology has fundamentally altered the Indian business landscape, and the marriage of a high touch model with ingenious technological solutions has given the BFSI sector, and in particularly NBFCs and MFIs, a shot in

the arm. Bridging the divides that existed earlier, technology has enabled agile, cost-effective solutions that help microfinance institutions maintain high levels of repayment for unsecured loans of a small ticket size. Rural borrowings are often characterized by a high degree of human involvement, but empowering the field workers and completing the circle of lending are a suite of solutions that are robust, reliable and made for India.

Regulatory framework too is critical in this context,

because a very fine line separates under from over-regulation. NBFCs will play a pivotal role in driving the government's financial inclusion objectives, serving those that slip through the gaps in the larger banking ecosystem across diverse geographies and sectors. The right to financial inclusion is not just a fundamental right, but central to heightened economic development and parity across the country and as such needs to be given its due.

Serving India's underbanked

By connecting borrowers to mainstream debt investors, the latent credit needs of India's unbanked are being served holistically

How has Northern Arc Capital innovation delivered value to small and micro enterprises which had so far been locked out of the financial mainstream?

Northern Arc Capital (formerly IFMR Capital) has always focused on structuring innovative products, many of them the first of their kind in India, to cater to the customized requirements of our partner financial institutions serving the underbanked. Our partners primarily work with individuals and enterprises who have been traditionally excluded from the organized credit market. Many of these institutions face challenges in accessing debt capital markets due to their size, credit rating, availability historical data, and



other operational reasons. Northern Arc has been able to continuously create new product structures that can meet the debt requirements of our partners as well as provide high risk-adjusted returns to investors.

Some innovative products structured and executed by Northern Arc include –

- Multi Originator Securitization (MOSEC®), a first of its kind

- structure in the world
- The first Pooled Bond and Loan Issuances in India
- The first Collateralized Loan Obligation since the Securitization Guidelines were released in 2006
- The first rated corporate Single Issuer Partially Credit Enhanced Bond (SPICE Bond)

The products we structure have made a material difference to many institutions and businesses. We work with hundreds of partner institutions across the country. Post access to debt capital markets through Northern Arc, many of these have seen significant increase in AUM through a widened presence and outreach. As an example, an institution that primarily

lends to MSMEs in the manufacturing segment has grown an astounding 100 plus times in the four years since we began working with them.

How is digital changing the way you are looking at lending in rural India?

While data footprint in India is increasing rapidly, it is still a long way before we can look at an entirely digital rural lending model where client acquisition, credit assessment and collections happen seamlessly on a digital platform. We believe that technology should be viewed as an enabler for furthering the outreach of credit institutions. It however may not entirely substitute the need for

a touch-point with last-mile customers in rural India.

As we see it, technology is expected to play an increasing role in client acquisition and credit assessment. Origination will be aided through portable hardware instruments like ipads and tablets that can be carried by field officers while visiting prospective customers. It would enable online KYC, quick input and upload of information significantly reducing the turnaround time. It will also allow for a larger number of customers to be reached at their doorstep, especially in rural areas, where

the distance to the closest branch continues to be a major constraint.

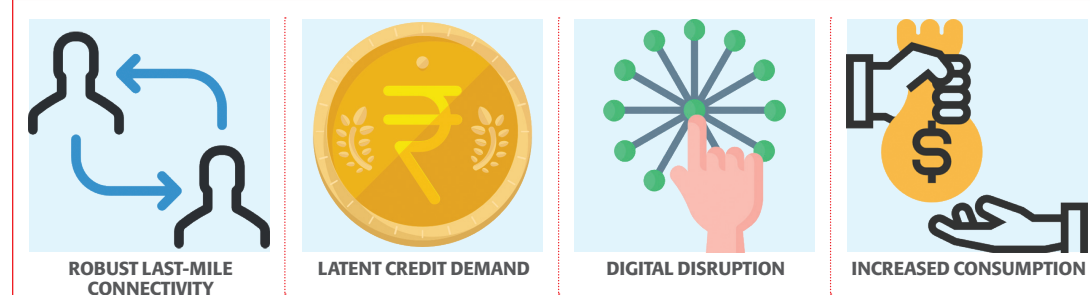
KYC, cash flow assessment and credit evaluation will be boosted through the increasing usage of Aadhar and the digital footprint created through GST. For those with data foot print, technology could be effectively be used for credit underwriting and pricing by institutions in the future. However there will still be a large population that will not be covered by the data footprint. And importantly, seamless collections will take longer to digitize.

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DEEPAK LAMBA, PRESIDENT, TIMES STRATEGIC SOLUTIONS LTD.

>>> Ensuring ease of access to credit is a fundamental part of India's financial inclusion drive, and multiple factors like higher credit penetration, increased consumption and disruptive digital trends are allowing NBFC's to fulfil our latent credit demand needs. The Economic Times NBFC & MFI Summit highlighted how this sector's strong understanding of the market has helped cement them as the go-to option for the Indian diaspora.

KEY GROWTH DRIVERS



Capital Markets Gaining Currency

Stable macroeconomic conditions and high yields have marked out India's capital markets as a top performer on the global stage

The India growth story has captured the imagination, and Indian capital markets are no exception to this narrative. Dalal Street has caused quite a few ripples in 2017, with its benchmark index soaring 28 percent year on year thanks to a larger than ever slice of the Indian diaspora getting invested in its success.

The evolution of Indian capital markets has made it the preferred investment destination for myriad investors, with Moody's affirming this through a recent upgrading of India's credit rating after a prolonged gap of 13 years. With robust fundamentals and a reformed regulatory system no longer fettering it, India's capital markets will surely bring the bulls to bear in 2018.

The competitive edge derived from effective use of technology has seen the appeal of India's capital markets cut across socio-economic classes

DIGITAL DIVIDEND

India's fast-growing and fast-flowing stream of disposable income has left the capital market flush with funds, with investors laughing all the way to the bank. However, this has been made possible not just because of an attitudinal shift or a regulatory shift, but also because of ubiquitous technological shifts that have redefined the industry.

Paper-less

The days of investors wading through reams of paperwork are now long gone as every element of the transaction chain – be it transac-

tion processing, fund management, customer service or distribution - gets digitized.

Ease of investing

The biggest upside of going digital has been the lowering of bar-

riers faced by consumers across the board. With little more than an internet connected device and an Aadhar card, an investor can buy, sell or switch investments and even complete the e-KYC process that

would be daunting if it were not going paperless. Even in a high-touchpoint society like ours, people are buying into investments remotely, which augurs well for the future.

Distribution re-imagined

Least expected, but perhaps most remarkably, there are distribution efficiencies to be enjoyed from the enhanced uptake of technology. Intelligent, predictive analytics is making a lot of this possible, with everyone benefiting from better tax efficiencies and enhanced liquidity vis-à-vis traditional investment vehicles. Remote distributors have been one of the biggest beneficiaries of this altogether new business model that

leaves everything a few clicks away.

The widespread dissemination of technology and breaking down of barriers will move relationships and investing beyond the merely transactional to one where value addition will be king. It's safe to say that technology is here to stay in our investment ecosystem, and will grow ever more to become an integral component of the industry's framework in the years to come.

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"NSDL has always been at the forefront of bringing about path-breaking changes in the way financial markets operate in India. NSDL's focus has been to leverage technology to improve efficiency, reduce turnaround time and bring maximum convenience to investors across services in the financial sector. NSDL's foray into the payments arena is poised to drive financial inclusion and strengthen digital payments arena in the near future."

Samar Banwat
SENIOR VP, NSDL



"The development of commodities market becoming a key focus area of the Government and Regulator has now led to initiatives towards promoting integration of the spot-derivatives market, permitting institutional participation, new instruments viz. Options, including proposal to permit Mutual Funds (MFs) and Portfolio Managers (PMS) in commodity derivatives. The developments augur well for all commodity market participants as the financial institutions led investment into commodities, like commodity based exchange traded funds (ETFs), commodity based MFs et al will offer retail as well as other category of investors an opportunity to diversify their portfolio. Commodity derivative instruments is expected to serve as an alternative instrument in investment management"

Girish Dev
HEAD – STRATEGY AND RISK OFFICER, MCX



"The Economic Times Capital Market Summit 2018 saw meaningful deliberations take place on capital market and financial sector related topics, and the discussions of impact of Union Budget 2018 on the market and the industry were really very impactful and useful."

Ashok Pareek
EXECUTIVE DIRECTOR, SREI CAPITAL MARKETS



"Many congratulations to Economic Times for organizing a successful summit. The panel discussions were extremely interesting with a free flow of ideas and opinions from a group of very eminent and knowledgeable persons. The summit was very well attended and provided a great networking opportunity for professionals from the capital markets industry."

Varoon Chandra
PARTNER, AZB & PARTNERS