

Financial inclusion from an opportunity perspective

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Chennai: The more one hears the phrase 'financial inclusion' the more one wonders if a 100 per cent financial inclusion is achievable in India. A tall task, indeed, considering that only 30 to 35 per cent of households in India are financially included, as **Mr Saurabh Tripathi, Partner and Director, The Boston Consulting Group, Mumbai**, informs, citing a recent research by the firm. He is, however, hopeful that financial inclusion can happen.

"We found that there is a very large segment that could potentially be included in an economically viable manner with appropriate business model innovations," adds Mr Tripathi, during a brief interaction with *Business Line*.

This segment is in itself very large and will add up to about a billion people across the globe, he observes. "That is why the term 'Next Billion' consumers. India accounts for over 90 million of such households. Clearly in the pursuit of financial inclusion, this should be the first priority. There are even more households beyond this that requires social intervention from the state." Excerpts from the interview.

What role do you expect technology to play in this?

Technology can provide disruptive business models that could lower the costs to such levels where providing financial services to these "Next Billion" customers becomes economically viable. Mobile telephony has tremendous potential. Our research showed that there are more people in our country today with mobile phones than with a proper operational savings bank account. Providing banking on mobile could dramatically lower the costs of customer acquisition and transactions. It should be noted that "banking on mobile" is different from "mobile banking" that is offered by the banks today as additional service to their customers. "Banking on mobile" should allow people to open account, withdraw, deposit, and transfer money, save and potentially invest without going to a bank branch.

Will financial inclusion see a new set of winners?

There are clearly several players who will jointly create this opportunity. Banks obviously will be at the centre stage to begin with. However several other players are going to participate actively. Mobile service providers, mobile device manufacturers and payment services providers will clearly participate in the value chain. Who will win will be determined by who moves fastest in creating a scalable business model. At this point it is not clear who will win. Players start with their competitive advantages. Over medium term this could be a great opportunity for banks. But also a threat if they do not move fast enough.

Do we need changes in law and regulations to make financial inclusion possible soon?

Regulation can, as always, play a crucial facilitating role. The Reserve Bank of India has been very proactive about financial inclusion. We have had priority sector lending targets for a very long time. Recently banks were encouraged to launch "no frills" accounts with reduced KYC constraints. Correspondent scheme was brought in recently towards this objective. Our view is that financial inclusion, at least for the next billion segment, should be looked at from an opportunity perspective rather than as a social obligation. Changing this lens allows us to envisage accelerated adoption. Mobile phone technology itself is such a great example of power of economically viable opportunity that is addressing the 'communication inclusion' in the country. So regulation has to play

facilitative role. Recent legislation on payments and related regulations are a great step in the right direction. The Act and the regulations can provide a framework for host of regulated non-banking players to emerge in the payments space. With a few more refinements, these regulations would allow this platform to be used for low-ticket banking supporting complete range of transactions over mobile phone among other things.