



Financial Services Innovation for Bharat

Unleashing the potential of Financial Services
for rural and semi-urban India

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ABOUT BCG

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Our diverse, global teams bring deep industry and functional expertise and a range of perspectives that question the status quo and spark change. BCG delivers solutions through leading-edge management consulting, technology and design, and corporate and digital ventures. We work in a uniquely collaborative model across the firm and throughout all levels of the client organization, fueled by the goal of helping our clients thrive and enabling them to make the world a better place.



RBIH

ABOUT RBIH

The Reserve Bank Innovation Hub is a subsidiary of the Reserve Bank of India (RBI) set-up to promote and facilitate an environment that accelerates innovation across the financial sector.

RBIH aims to foster and evangelize innovation across the financial sector to enable access to suitable, sustainable financial products to a billion Indians in a secure, friction-less manner. In addition, RBIH would create internal capabilities by building applied research and expertise in the latest technology. The hub will collaborate with financial institutions, policy bodies, the technology industry, and academic institutions and coordinate efforts for exchange of ideas and development of prototypes related to financial innovations.

Foreword



Rajesh Bansal

Chief Executive Officer
Reserve Bank Innovation Hub

India, with its diverse landscape and rich tapestry of communities, is a nation where the power of innovation in financial services can truly transform lives. In a world where the financial sector is undergoing remarkable changes, it is imperative for India to harness these transformations and ensure that the benefits reach every corner of the country, especially its rural heartlands.

Bharat (rural and semi-urban India) is home to a significant portion of our population, and equitable access to financial services is pivotal for their economic upliftment. These innovations are not just about convenience; they are about empowering every Indian with the tools to secure their financial future.

Despite commendable progress in recent years, numerous unmet financial needs persist across rural India. From service affordability to credit accessibility, there's a wide spectrum of requirements that current financial services are yet to fully address. Innovation becomes the key to bridge this gap effectively and foster the growth of rural communities at large beyond just meeting individual needs. By providing financial solutions tailored to their specific nuances, we can encourage entrepreneurship, enhance livelihoods, and promote self-reliance.

The path to achieving this vision isn't without challenges. It necessitates the creation of innovative, secure, sustainable, and scalable models that can withstand the rigors of India's diverse and sprawling landscape. This report, 'Innovation of Bharat', is the product of a collaborative effort between the Reserve Bank Innovation Hub (RBIH) and Boston Consulting Group (BCG). It brings forth findings and recommendations that emanated from comprehensive research, consultations within the financial sector, and insights garnered from the very communities that constitute the heart of Bharat.

We invite all the industry leaders and innovators to join us on the journey to unleash the full potential of financial services for Bharat, fostering innovation, financial inclusion, and economic growth. Now is the opportune time for collaboration and action, and we believe that this report can serve as a compass in our collective pursuit of a brighter, more prosperous future for all.

Introduction



Yashraj Erande

Managing Director and Partner
Boston Consulting Group

Sustainable advancement of India relies on empowering its extensive rural and semi-urban population, which accounts for over 65% of the total population. Although we have witnessed significant advancements and rural penetration in telecom, internet, and healthcare accessibility for this segment, true financial services utilization still lags behind. In light of the diverse demographics and socio-economic spectrum within our country, and the high cost to serve and distribute products given limited financial literacy, there exists immense untapped potential within rural and semi-urban regions. And this cannot be addressed through plain vanilla techniques, but requires a truly innovative approach, that can surmount the current challenges in design, distribution and

service. We believe this segment is ripe for disruption, and yet to be truly disrupted.

This report, a collaboration between the Boston Consulting Group and the Reserve Bank Innovation Hub, aims to highlight the challenges faced by Bharat (rural and semi-urban India) and offers a holistic framework for driving financial innovation. Financial services go beyond mere transactions; they encompass a wide range of tools that can empower individuals, nurture dreams, promote entrepreneurship, and drive socio-economic progress. The success of microfinance institutions, banks, and Fintechs in reaching under-banked and under-financed markets in Bharat demonstrates that the right mix of technology, strategy, and local insights can yield remarkable results.

The report is structured along four sections, covering the importance of Bharat as the next growth driver, unveiling our insights from consumer studies for the segment, and providing an approach to think about innovation more holistically for Bharat. We have drawn inspiration from our experience in the segment, in India and globally, and have integrated together immense learnings from leaders, practitioners and

influencers in this space. Lastly, we have also shared a call to action for innovators, incumbents, investors, and policymakers, on driving collaborative innovation. We have emphasized the need for an approach that focuses on bringing products tailored to specific markets, a robust infrastructure aligned with local realities, and financial literacy programs that empower everyone. The convergence of these factors can create a symphony of progress and inclusion. The personas and stories shared in this report are real, the challenges are tangible, and the potential for disruptive innovation is enormous.

With a strong belief that the future of financial inclusion in Bharat hinges on understanding the unique needs, aspirations, and challenges of its rural and semi-urban citizens, we stand on the threshold of a transformative era for financial inclusion. We hope the knowledge and insights provided in this report will be useful for all the industry leaders and pioneers, to create a future where financial empowerment is not a privilege for a few but a right for all. We look forward to your feedback to add to the depth and diversity of thoughts in subsequent editions.



Executive Summary

Sustainable growth in India hinges on empowering its large rural and semi-urban population, which constitutes over 65% of the country and contributes to 47% of the nation's GDP. The combination of rising income levels, farm sector reforms, and effective government schemes is expected to create a new wave of profitable users from this segment in the future. Notably, rural internet adoption has been exceptional, with 200 million users coming online between 2018 and 2022, and another 300 million estimated to come online by 2030. The government-supported rural MSME sector is playing a significant role in driving employment and economic activity, making it a promising market for further expansion.

Despite notable progress in areas like telecom, internet, and healthcare access in rural India, access to comprehensive financial services remains a critical roadblock for economic advancement in this segment. Challenges such as low financial literacy, unsuitable product offerings, cumbersome banking processes, and limited access to formal credit, resulting in 60% reliance on informal lending, underscore the need for tailored solutions across Products, Processes, and Policies to unlock this segment's full potential.

In our quest for a deeper understanding of the financial challenges and behaviors of rural consumers, we discovered interesting,

unintuitive patterns, ultimately identifying six key friction points that need to be addressed to enhance financial accessibility.

- **'Want to save, need to spend'**
Bharat consumers aspire to save, but they face challenges like irregular incomes, unexpected expenses, and limited financial knowledge, making it easy to spend their savings. To make a real difference, comprehensive solutions need to be developed that do more than just offer financial products. These solutions should help people develop good saving habits and offer incentives for better financial behavior.
- **'Can't go where Bank is, want Bank where I am'**
If they somehow plan to save, banking charges and the costs associated with travel and missed opportunities burden their small savings. This necessitates easy and cheap availability of banking services beyond the Bank, as other public services.
- **'Need money, to get money'**
Bharat consumers face challenges in accessing formal loans due to a lack of past credit history and fluctuating credit requirements. To suit Bharat's needs, tailored lending solutions incorporating alternate data-based decisioning, flexible
- **'Interest rates, and repayment schedules need to be developed.'**
Bharat consumers get comfort from cash-in-hand, prioritizing immediate needs or liquid savings, over investing in insurance, that will save them from a 'probable' calamity in the future. To boost insurance adoption, there is a need to simplify processes, offer clearer terms, and provide guidance through local 'Insurance Mitras'. Banks can play a crucial role here as they are inherently perceived as conduits to facilitate access to these benefits.
- **'Liquidity today secures tomorrow'**
Bharat consumers are often not able to avail the benefits of government schemes due to limited awareness, understanding, and hidden costs, along with lengthy paperwork. Efficient communication, involvement of influencers, and simplified processes are essential for reaching consumers and distributing scheme benefits widely.
- **'Need to know Rights, to use Rights'**
Bharat consumers have unique characteristics, and they prioritize 'trust and service' over 'big brand' when it comes to making choices on their preferred banks. Local influencers are critical to penetrate this segment.

Source: IMF, S&P, Buzz to Bucks 2021 Survey; ICUBE 2022; Internet & Mobile Association of India

To tackle these challenges effectively, financial institutions must proactively innovate and tailor offerings for Bharat, focusing on self-selling products, user-friendly processes, leveraging established networks, and fostering human connections for trust-building. To develop sustainable solutions for Bharat consumers, it is crucial to prioritize three key elements, as given below, of a broader innovation framework.

Desirability: Does the solution address key customer pain points and needs of Bharat consumers effectively?

Viability: Will this innovation drive significant business impact and unlock value for the organization in a cost-effective manner?

Feasibility: Can the proposed solution drive 'Distribution@Scale' leveraging technology and solutions that are 'Bharat' friendly?

A comprehensive approach towards innovation, which integrates these three elements, can be effective in delivering relevant and suitable solutions to Bharat consumers, as well as create value for the Financial Ecosystem holistically. Institutions such as Axis Bank, HDFC Bank, Federal Bank, Money Purse, Jigyasa Rurban, Meesho and many others are striving towards innovation in this direction.

Additionally, multiple fintechs like Spice Money, Siply, Dvara, Kaleidofin, Navana, and more are also innovating in this space. However, these fintechs face multiple hurdles that hinder the pace of innovation, with challenges such as limited market access, scalability concerns, lack of banking partnerships for untested products, and limited domestic capital for the investments. Data security, integration concerns with incumbents, and regulatory ambiguity further complicate the fintech landscape.

Given the current challenges, the broader industry and overall economy can reap substantial benefits from the convergence of various stakeholders across different sectors, including government, regulators, banks, fintechs, telecom, FMCG, and others. Collaborative efforts are essential to facilitate data-sharing, distribution, and system platforms that effectively serve Bharat consumers. One potential starting point is establishing interoperability across players, such as standard interface protocols for fintechs, enabling seamless integration with banks for their innovative offerings.

In conclusion, fostering innovation in rural India necessitates a comprehensive action plan involving all stakeholders across the value-chain.

Innovators: Fintechs & financial institutions should focus on offering self-selling products, enabling seamless experience (gamification, visual, and multilingual platforms), leveraging well-penetrated channels and fostering trust through local connections.

Investors: Access to low-cost funding options, fintech-focused funds, and accelerator programs for early-stage innovative fintechs play an important role in driving innovation growth through Fintechs.

Incumbents: Developing a uniform onboarding framework, securing synergies through standard protocols and regulated distribution, and setting up robust grievance and redressal mechanisms are important to drive fintech-incumbent partnerships for broader reach.

Policy-makers: Facilitating convergence across industries for data and distribution sharing, launching funding boosters and fintech compliance kit, and democratizing data play a crucial role in shaping the financial services landscape.

Together, these concerted efforts can go a long way in unleashing the potential of Rural and Semi-urban India in Financial Services, and also drive broader economic growth and prosperity for the nation.



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01

Bharat: The next growth driver

The rural and semi-urban population in India holds a pivotal position in propelling the nation's economy forward. Currently, the rural and semi-urban economy accounts for 47% of the nation's GDP, and it is projected to become as large as India's GDP of today by 2030. The MSME sector in rural India is also receiving significant attention, with over 30 million MSMEs operating there, providing further momentum for economic growth.

While half of the country's Internet users are from rural India, there are varying levels of rural penetration across different segments, particularly low in the financial services sector. To address this disparity, large financial institutions have introduced products supported by government schemes, expanded their branch network, and increased distribution through banking correspondents to drive access to financial products for the community. However, several fundamental challenges such as low literacy rates, bank branches being located far away from the customer's location, and unsuitable financial products hinder widespread adoption of these services.

Ensuring financial well-being for Bharat requires an innovative approach that addresses issues related to access to financial services, economic stability, security, and the overall enhancement of their financial situation through full-fledged banking solutions.

Creative financial solutions can be drawn from other sectors; for instance, Easy by RHB embraced a built-for-purpose branch model that caters to the underserved mass segment with its low cost, modular, and simple retail outlets, mirroring the compact, organized retail model of DMart.

Bharat: Rural and semi-urban Indians with unique lifestyles and choices struggle for basic financial rights

Representing a significant 65% of India's population and contributing to 47% of the nation's GDP, rural and semi-urban communities hold a dominant and indispensable position in India's socio-economic landscape. These communities find their sustenance primarily in agriculture and allied activities, reflecting their deep-rooted bond with nature and the land. Embracing a simple and closely-knit lifestyle, these communities are deeply rooted in traditions and cultural practices, fostering a strong sense of community and belonging.

In pursuit of financial inclusion for this significant segment, the government has launched over 300 Direct Benefit Transfer schemes. However, the effectiveness of these schemes has been constrained by fundamental hurdles, including outdated beneficiary databases, cumbersome onboarding procedures, payout delays, and biometric authentication issues. These challenges highlight the urgent necessity for customized initiatives that uplift and empower these communities, such as leveraging iris-based authentication and streamlining payout processes to achieve more effective and inclusive outcomes.



Male, 35 years old
Runs an egg stall
We don't have enough money, so we can't even think about savings

Struggling for real savings and investments



Female, 45 years old
Works as domestic help
Bank jakr kaam krane mei humari poori dihadi bekaar jaati hai

Facing hurdles in accessing from formal channels



Male, 50 years old
Farmer
We are not aware of many schemes...want someone to explain us everything

Not able to reap the benefits of the schemes



Female, 30 years old
Works in a local garment shop
Local bhaiya is more reliable than national banks

Trusting local contacts more than brands

Source: Primary research based on 50+ interviews conducted; BCG Proprietary Data

Financial Services Innovation for Bharat | Bharat: The next growth driver

By 2030, Bharat's economy is expected to be as large as that of India today



Significant contribution to India's economic growth

Rural and semi-urban India, with a 47% share in India's FY22 GDP, emerges as a crucial catalyst for the country's economic growth with its GDP expected to grow from \$1.6 trillion in FY22 to \$3.4 trillion in FY30¹. Notably, the rural per capita income is projected to experience a significant 3.5x growth, and the global share of agricultural exports is expected to double to 5% by 2047². This upward trajectory underscores its potential to create a substantial impact on a global scale.



Next set of profitable users from Bharat

As rural income levels rise, supported by farm sector reforms and effective government schemes, the next big market of new users to tap will come from rural India. High potential exists among these next set of users, making it an important sub-segment to target in the future.



Huge underpenetrated MSME market positioned in Bharat

Rural India is home to over 50% of India's 6.3 crore MSMEs, employing a rural workforce of over five crore. Despite the substantial MSME credit demand of 74 lakh crore, 65% of it remains underserved, highlighting the immense untapped potential³.

1. IMF, S&P 2. World bank, UNDP, MoF, ICAR 3. Avenduscapital, CRISIL, CRIF

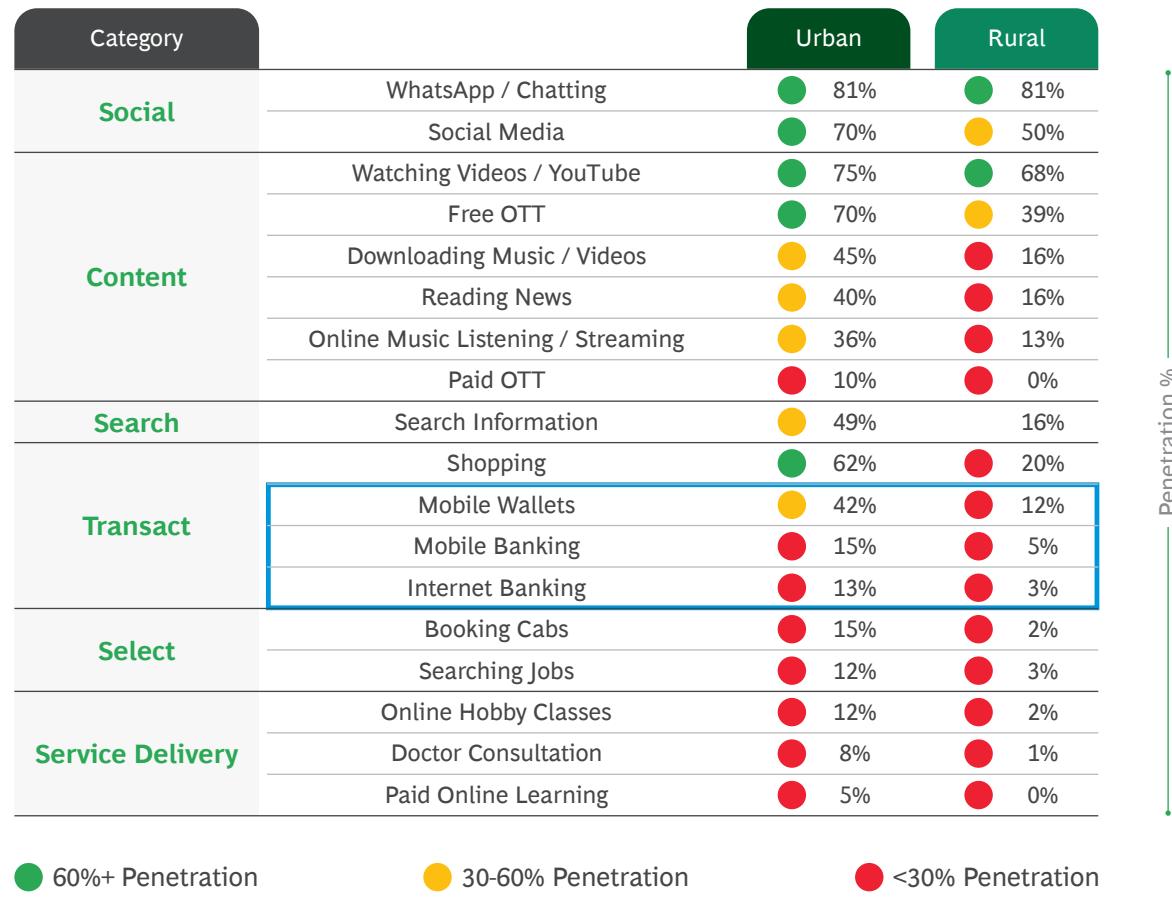
Source: Rural and Agriculture Vision 2047; Ministry of Micro, Small and Medium Enterprises Annual Report 2022-23; CCI Proprietary Income Database; BCG Analysis

Despite Bharat's strides, the financial services sector still lags behind



While the internet has reached many rural homes, online financial services usage remains direly underpenetrated. More than 50% of the internet users today belong to rural India, with an estimated 300 million additional rural India users expected to come online by 2030¹. However, a significant rural-urban disparity still exists in utilizing the internet across different categories of use cases. While similar penetration is observed across rural and urban in social media usage and watching YouTube, there is much lower rural penetration in usage of financial services like mobile wallets, banking, and internet banking.

Rural penetration is almost at par with urban in social media and related categories but huge disparity in financial services observed



1. Buzz to Bucks 2020 Survey (N=10,000 ; Urban & Rural Coverage); BCG Analysis

Note: Penetration % among adult internet users (18+ years), Urban India (representative of Metro-Tier 3 towns)

To bridge the divide, financial behemoths are actively propelling access and adoption of financial services in Bharat

Entities throughout the value chain are dedicated to delivering financial services to the underserved Bharat segment. Notable efforts have been made by the government, large incumbents as well as new-age players to raise awareness, enhance accessibility, and improve affordability of financial products. Today, more than 67% of the total beneficiaries from the Prime Minister Jan Dhan Yojana are from rural and semi-urban India. Incumbents are also expanding their outreach to penetrate remote Bharat corners with 56% of nationwide bank branches in rural and semi-urban geographies. In fact, more than 40% of the new branches have been added in these geographies in the last three years. Additionally, there is a rise in the number of fintech players, both collaborating as well as challenging legacy players with their customized product offerings for Bharat.

Govt. plans to open 300 branches of PSU Banks in rural areas by December

September 5, 2022

SBI leads rural banking for agriculture with ₹2,58,612 crore loan milestone

June 10, 2023

HDFC Bank plans 675 branches in semi-urban, rural areas in 14 months

May 4, 2023

Spice Money partners with Axis Bank for financial inclusion in rural India

December 5, 2022

PM Modi launches Digital Banking Units to amplify financial inclusion

October 17, 2022

HDFC Bank partners with LEAF to offer financial accessibility to farmers

December 15, 2022

India Post Payments Bank partners with Koo to promote financial literacy in tier-2, tier-3 cities and remote cities

September 13, 2022

Fintech sector is catalyzing India's growth story among unbanked population

March 1, 2023

However, many deep-rooted challenges still persist in serving Bharat



Despite various efforts to improve financial services for rural consumers, several challenges persist, requiring customized strategies. These challenges include limited financial and digital literacy, insufficient focus on rural markets' potential, a scarcity of products tailored to rural needs, and difficulties arising from inadequate formal paperwork and documents. Additionally, costly distribution and servicing, absence of accessible organized marketplaces, and the easy availability of unorganized alternatives pose further obstacles for rural users, pushing them towards potentially exploitative practices. Addressing these hurdles is essential to ensure inclusive and beneficial financial services for the rural population.



Financial Ignorance

- Lack knowledge and understanding of financial products and services
- Low self-confidence in digital banking due to insufficient communication and training
- Inadequate awareness programs for schemes and subsidies
- Limited use of established and penetrated channels



Mismatched Offerings

- Traditional credit decisioning and repayment structure not suited for erratic or seasonal income
- Standard product offerings not catering to needs of Bharat (e.g., goal-based savings, EMI linked to income flow)
- Cumbersome lengthy processes with non-linkage to updated databases



Diffused Distribution

- Over-dependence on branches; lack of adequate physical infrastructure in vicinity
- Low trust in digital banking due to perceived fraud risk; over-reliance on local unorganized players
- Lack of confidence in Banking correspondents for providing their needs
- No effective grievance and redressal mechanism



Costly Services

- Hidden costs of accessing formal channels through BCs
- Higher charges for Bharat customers to achieve cost efficiency due to small ticket size (Exclusive BCs wanting viable business model)

In addition, we are far from ensuring penetration of comprehensive financial solutions to Bharat

While basic access to banking services has been achieved to some extent among the rural Indian population, there is a need to view financial empowerment more holistically, with the emphasis on financial wellness — equipping individuals with the knowledge and skills to manage finances effectively and independently, with a long-term perspective towards sustainable financial management. This ladder of progression entails providing basic access to ensure availability of fundamental financial services, financial well-being to enable individuals to effectively manage day-to-day finances, resilience to empower people to withstand unexpected financial shocks, and finally, the accumulation of valuable assets over time to build wealth. Hence, a comprehensive innovative approach to financial management needs to be formulated to promote the growth of financial services in Bharat.



Profile | Ramesh Kumar

- Age: 30-35 years
- Location: Small village in Bihar
- Occupation: Farmer



Financial Wellness Meter

Improving Wellness →

→ Improving Wellness



Basic Access

- Has a Jan Dhan account
- Puts money in his bank account during good yield season
- Visits the bank branch 10km away from his village



Wellbeing

- Puts away some amount monthly to pay school fee for children
- Can take a loan to buy a cow to supplement family income



Resilience

- Understands the benefit of crop insurance — purchases from a trusted financial institution
- Enquires from local bank officials about government schemes and accesses relevant ones



Wealth

- Buys another stretch of land on loan for his two sons
- Aware of a credible micro savings gold scheme and plans to save for daughter's wedding in the future
- Invests in SIP / KD

Innovation enabling Financial Access, Inclusion and Wellness
Knowledge and ability to equally access the products and services that support each step to financial equity

Source: BCG Analysis





02

Unveiling the desires of Bharat

Delving deeper into the real challenges faced by Bharat consumers, six primary friction areas, referred to as 'themes', have been identified:

Want to save, need to spend: Bharat consumers aspire to save, but irregular income and a lack of financial knowledge hinder their efforts.

Can't go where Bank is, want Bank where I am: Even if they manage to save, higher expenses burden their small savings.

Need money, to get money: Traditional structures do not align with Bharat consumers' needs due to a lack of credit history.

Liquidity today secures tomorrow: Bharat consumers get comfort from cash-in-hand, prioritizing immediate needs or liquid savings, over investing in insurance, that will save them from a 'probable' calamity in the future.

Need to know Rights, to use Rights: Limited awareness and understanding prevent consumers from availing scheme benefits.

Trust Individuals, more than Brands: Bharat consumers prioritize the credibility of the service provider over associating it with any big brand.

To tackle these obstacles, financial institutions must adopt innovative strategies catering to the unique needs of Bharat. Fintech companies play a vital role in driving this transformation, introducing novel solutions and services. Yet, they face constraints, including restricted market reach, scarcity of domestic funding, apprehensions regarding collaborations with established players, and regulatory uncertainties that need to be addressed.

Theme 1 | Want to save, need to spend

While Bharat users desire savings, multiple hurdles exist for actual savings to happen — Financial institutions need to go beyond providing simple savings products to solutions that encourage and incentivize financial prudence and good financial behavior



Unpredictable Income

Low earnings flow in on an erratic schedule, and not via a 'steady paycheck' model making it difficult to plan regular savings in advance



Splurging Temptations

Cash as the main medium, and low bank deposit leads to easy access to visible unused funds tempting them to spend on ad-hoc desires despite an intention to save



Homebound Savings

Lack of understanding of external investment options leads to small, frequent and non-deliberate savings stored at home rather than with faceless financial entities

Implications for financial organizations

Design flexible financial products that accommodate varying income levels and timelines, without penalizing the user for the very basic nature of their earnings. Since cash remains the predominant medium of usage, there is a need to develop convenient user-friendly touchpoints to convert cash into bank savings or digital money for transactions, removing the complexity of navigating intricate applications and addressing perceived risks of losing hard-earned money. However, it is evident that offering a financial service alone is insufficient; it must be accompanied by efforts to incentivize financial literacy. This includes teaching individuals when, how much, and where to save, empowering them to make informed financial decisions and encourage good financial behavior.

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I do not have a fixed salary, and only get paid through commissions from the sales I make — kabhi zyada kabhi bohot kam

“



”

Din ke end pe wallet mein paisa, matlab bacchon ke liye samosa-jalebi

“



”

Bank account se acha humara batua aur gullak hai!

Source: Primary research based on 50+ interviews conducted

Theme 2 | Can't go where Bank is, want Bank where I am

If they happen to occasionally save, traditional banking models eat away their meagre savings — Financial institutions need to go exclusively beyond own outlets to sell and serve customers and must be much closer to them



Visible Price of Unfit Banking

Requirement of minimum account balance results in incurring more financial penalties than the potential earnings from depositing the money in banks



Silent Price of Distant Banking

Distant bank branches leading to more travel times, and long wait times in bank queues increase the opportunity cost of banking, as it happens at cost of the day's earnings

“ ”



Jab pehle hi bachat kam hai, tab banks upar se aur kharcha laga dete hain — aur paise bhi direct hi kaat dete hain!

“ ”



Will they (bank) refund us half a day's earnings and travel cost for giving them our own earnings? It is same as keeping my money in the rice jar

Implications for financial organizations

Mere replication of financial models (policies and processes) from urban markets without considering the distinctive requirements and constraints of the Bharat market, will inevitably lead to failure. Financial models for Bharat must address the challenges prevalent in the region and requires revisiting all the presumptions involved in designing financial products. Considering that many people in Bharat rely on limited daily wages, banking services should be brought to their doorstep or local community centers since immediate earnings always supersede the long-term and less obvious benefits of banking.

Source: Primary research based on 50+ interviews conducted

Theme 3 | Need money, to get money

Bharat users face roadblocks in accessing loans from formal channels due to a lack of past credit history — Financial institutions need to fundamentally innovate products and processes to suit Bharat's livelihoods



Untraveled Credit Circles

Application of traditional underwriting models, and banking processes lead to high rejection rates due to a lack of collateral and formal credit history



Payback Burden Overload

Difficult to repay as per fixed schedules, high interest rates, late fee due to unpredictable earning schedules, leading to extra stress



Urban Wings for Rural Birds

Mismatch in traditional loan disbursal processes — total upfront payment vs. Bharat's requirement of small amounts basis fluctuating credit needs

Implications for financial organizations

Revamping internal processes is critical for serving the Bharat market effectively. Current traditional banking models act as gatekeepers for Bharat consumers, limiting their access to financial services. To remain viable and relevant, financial credit products must be redesigned specifically for Bharat incorporating features like decisioning based on alternate data (telco, smartphone usage), flexible and low variable interest rates to enhance accessibility and affordability. Furthermore, loan repayment models should offer the flexibility to align payments with earnings, such as structuring loans based on their income cycle rather than monthly installments.

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At the bank, you need to show money to get money — why would I be there if I had it already?

“



”

I need to borrow a few thousand rupees for two months and can only pay back after we go to the mandi — but no bank allows that, so I need to go elsewhere even if they charge more but let me pay later

Source: Primary research based on 50+ interviews conducted

Theme 4 | Liquidity today secures tomorrow

Bharat users emphasize immediate needs, often at the expense of investing in insurance — Financial institutions must simplify insurance processes and collaborate with local advocates for improved accessibility



Affordability Dilemma

Financial constraints hinder insurance access, as high premiums divert resources from essential needs



Short-Term Gain vs. Long-Term Insurance

Short-term needs are prioritized, resisting long-term investments like insurance due to the perception of minimal immediate benefits, favoring liquidity, and risking future uncertainties



Awareness Gap

Government insurance schemes aim to offer financial protection, but limited awareness leads to confusion and underutilization, with unclear benefits and claims

Implications for financial organizations

There is substantial need to enhance service efficiency and make the process of accessing insurance more user-friendly. Furthermore, insurance terms can be simplified, eliminating hidden criteria for easy comprehension. Additionally, collaborating with local advocates to share success stories and providing personalized guidance through 'Insurance Mitras' can facilitate insurance uptake among Bharat users, making it more accessible and tailored to their needs.

“ ”

We have more expenses than earnings, making it impossible to afford insurance premiums. LIC agents approach us to buy insurance, but we decline due to immediate needs and financial constraints

“ ”

Insurance deductions are common, but claims approval is rare in our village, often involving complex and unclear processes

Source: Primary research based on 50+ interviews conducted

Theme 5 | Need to know Rights, to use Rights

Bharat users are unable to access government benefits, insurance, and financial support due to lack of information and transparency—
Financial institutions need to prioritize information dissemination and accessibility for Bharat customers, going beyond basic services



Unclaimed Treasures

Underutilized benefits despite multiple schemes due to limited awareness, understanding and scheme publicity



Hidden Benefit's Expenses

Hidden costs in accessing benefits in the form of application fees, documentation preparation fees, and even silent bribes



Complex Process Puzzles

Unclear and intricate enrollment processes, lengthy paperwork, and layers of bureaucracy

Implications for financial organizations

Establishing efficient communication channels to reach consumers and raising awareness through local touchpoints hold immense significance. To ensure the widespread distribution of scheme benefits, affordability, transparency (with no hidden costs), and simplification (with limited documentation) should be considered. Involving local influencers and community leaders can substantially improve accessibility. By proactively implementing these measures, the impact of the scheme or subsidy can be optimized, reaching the intended beneficiaries and promoting a stronger sense of financial inclusivity across the target population.

“



”

There are many schemes of which we are not aware of... Urea is 246 after subsidy but we are still paying 310



Ask anyone — one has to pay Rs 500 to get a BPL card! It's not free... People who can afford to pay and get it are not the ones who truly need it

“



”

Sarkaar ke bohot schemes hain par hume time nahi hai dekhne ka kaunsi scheme hai, kaise enroll karein? Sab ek bade board par dalna chaiye

Source: Primary research based on 50+ interviews conducted

Theme 6 | Trust Individuals, more than Brands

Bharat prioritizes service delivery and trust driven by personal relationships over the brand behind the service — Financial institutions must pivot towards building relationships rooted in values of Bharat customers, keeping trust at the core of their service

Service over Brand

Service benefit and trust drive customer stickiness over brands — trust in local service provider is led by his/her reputation within the community

Human-led Digital Navigation

Lack of trust in digital apps, driven by concerns over potential frauds — trust in the service depends on the service POC over the actual application

Personalized Transaction Flexibility

Prioritized service delivery, especially during emergencies and flexibility to 'Pay Later' driven by personal relation with service provider

Implications for financial organizations

There is substantial need to focus on the enhancement of service efficiency and the seamless, hassle-free nature of the process. Innovative solutions, especially those incorporating end-user facing technologies, should be closely linked with local community members — trusted individuals who can help when required. While encoded financial processes tied to formalized systems have their merits, they may leave vulnerable individuals at a disadvantage. Therefore, it becomes essential to incorporate built-in flexibility in services to cater to the distinct needs of Bharat users, ensuring their financial well-being and empowering them to thrive.

“  ”

Kaunsi company hai woh to nahi pata, but woh dukaan par humara bill pay kar dete hai

“  ”

My online experience depends on the relationship with shopkeeper bhaiya

“  ”

Bank mein toh time par hi paise dene padte hain, late hone ka darr rehta hai... aas padosi se choti udhari maang kar chal jata hai

Source: Primary research based on 50+ interviews conducted



To address Bharat's financial requirements, banks and NBFCs need to innovate at multiple levels

Owing to certain unique defining characteristics of Bharat consumers, innovation for this sector requires deep understanding of their constraints and needs.

What to create?

To effectively cater to the diverse Bharat segment, the solution should be customized to meet the specific needs of sub-segments, such as targeted solutions for women entrepreneurs. Moreover, the solution must prioritize convenience and user-friendliness to promote sustainable usage and widespread adoption.

How to deliver?

To optimize the reach and effectiveness of these solutions, it is crucial to strategically leverage familiar and frequently used channels. Additionally, building connections through trusted community touchpoints enhances the delivery process, instilling a sense of trust and receptiveness among the Bharat consumer segment.



Self-selling Products

Create targeted solutions with simplified processes



Effortless Banking

Design for quick understanding and easy adoption



Go beyond the Branch

Utilize well-established channels and networks to provide secure, E2E services



Powered by Relation

Leverage trusted, human connections

Fintechs play an important role in driving innovation to serve Bharat (1/2)

Fintech companies, armed with cutting-edge technology, are leading financial inclusion in Bharat, complementing state efforts to make crucial financial services more accessible and promote sustainable livelihoods

Siply

Literacy-driven micro-savings and lending platform supporting savings as low as ₹1

- Flexible model to pause / restart savings at will
- Videos to enhance understanding of basic financial topics
- Gold schemes to invest in physical gold with as less as ₹450 / month

Dvara KGFS

Suite of financial services for the underserved using tech-backed 'Wealth Management' approach

- Plan-Grow-Protect-Diversify framework for financial management
- Financial planning advice and tailored solutions for savings
- Flexible plan based on income cycles
- Co-lending partnership with HDFC Bank

Pay Nearby

Facilitating last-mile reach for financial services leveraging local retail stores

- Multi-service app for enabling basic financial and digital services
- Service delivery through local Digital Pradhans in retail shops
- Easy-to-use application interface in 10+ languages
- Zero additional investment, zero working capital for small-scale retailers

Nira

Instant loan application providing loans up to 1 Lakh in under 24 hours

- 3-minute online approval process for loans up to ₹1 Lakh without CIBIL score requirement
- Loan amount disbursal via the online app in under 24 hours
- Loans at low interest rates with long repayment timelines

- Encourages good savings behavior
- Drives financial literacy
- Designed to accommodate erratic income levels

- Tailored savings solutions based on household income
- Mobile-enabled flexible process and configurable workflows for interfacing
- Frequent engagement with local communities for trust building

- Higher trust driven through local Pradhan
- Application access in regional languages for easy adoption
- Convenience of accessing multiple services at one place

- Provides credit access without any past history (CIBIL score)
- Saves time and effort for users in travelling to bank locations
- Low TAT for financial support in case of urgent requirements

Note: The examples are illustrative to showcase the innovation, and are not an assessment of effectiveness or sustainability of innovation
Source: Primary Research; BCG Analysis

Fintechs play an important role in driving innovation to serve Bharat (2/2)

Fintech companies, armed with cutting-edge technology, are leading financial inclusion in Bharat, complementing state efforts to make crucial financial services more accessible and promote sustainable livelihoods

Kaleidofin

Plug-and-play platform for enterprises to provide customized solutions

- Wealth-tech platform for investments, credit, and insurance
- Tailored offerings based on individual household profiles
- KiScore, an AI credit analysis tool, helps lenders in underwriting and customers in credit health improvement

- Platform conducive to low data connectivity areas
- Flexible savings and investment options for customers
- Plug-and-play model for enterprise interfacing

Kosh

India's first group loan app based on community credit targeted towards blue collar workers

- Joint liability loans within coworker / friend groups
- Quick sign-up with minimal documentation requirement
- Instant loan approval with flexible repayment tenure, EMIs
- Allied Kosh community chat app for discussions

- Product offerings catering to Bharat needs — minimal documentation, flexible repayment, instant approval
- Leveraging community credit to enhance accountability, support, and minimize risk

Navana

Design and voice technology stack in local languages for low-literacy customers

- Automated solution to reach and convert shoppers via WhatsApp
- Voice guidance tool to assist users to navigate app in local languages
- Multilingual speech APIs that can be tailored across use-cases for ease of usage

- Improves accessibility by providing assistance in local languages
- Enables usage of WhatsApp, a familiar medium, for communication

GramCover

Composite insurance broking firm providing customized products for rural India

- Paperless onboarding directly on mobile phones
- Partnership with prominent players in rural ecosystem
- Comprehensive dashboard for real-time monitoring, insights
- Product suite for motor, crop, livestock insurance

- Customized and affordable product offerings for rural insurance
- Simplified onboarding journey with direct document upload
- Partnerships through well-penetrated rural channels like VLEs

Note: The examples are illustrative to showcase the innovation, and are not an assessment of effectiveness or sustainability of innovation
Source: Primary Research; BCG Analysis

However, their speed is constrained due to multiple challenges

Despite the positive changes, there are multiple challenges restricting the speed and impact of their innovation

Four major roadblocks encountered by fintechs in unlocking impact for Bharat:

Limited Market Access



- Lack of 'Trust and Credibility' due to limited experience of fintechs with incumbents
- Incumbent's inability to differentiate offerings of small startups
- Difficult for fintechs to generate trust in crowded new market

Difficulty in Incumbent Interfacing



- High integration TAT due to data security concerns
- Challenging integrations due to non-uniformity in bank architectures
- Lack of governance expertise leading to 'inventing the new wheel' every time

Shortage of Capital



- Hesitation of domestic investors and family offices for early-stage fintechs
- Misalignment of return objectives of VCs
- Limited low-cost venture debt options

Limited Regulatory Clarity



- Inability of small fintechs to meet licensing requirements
- Limited voice of small fintechs in feedback collected by regulators from fintechs
- Low expertise of fintechs in interpreting regulation change

Source: Basis in-depth interviews by BCG with 20+ FinTechs, VCs & Incumbents to capture Voice of Fintech Ecosystem



03

Innovating financial solutions for Bharat

To develop sustainable solutions for Bharat consumers, financial institutions should assess three essential elements when pursuing innovation:

Desirability: Does my solution address a key customer pain point or need, and hence will it be self-selling?

Viability: Does my solution have positive ROI, scalability potential, and capability to unlock significant business impact and value for the organization?

Feasibility: Can my solution be built and operationalized at full-scale?

Companies like Axis Bank, HDFC Bank, Federal Bank, Money Purse, Jigyasa Rurban, Meesho, and Spice Money have already taken significant strides in innovating for Bharat consumers.

Meesho's minimalistic app interface, ease of usage and simplified eligibility criteria promote inclusive e-commerce. Axis Bank's digitized hub-and-spoke model and collaborations with public sector banks have improved accessibility. Spice Money's assisted doorstep access and rural-centric corporate partnerships empower rural users. Money Purse's digital solution for SHG women and micro-entrepreneurs, alongside innovative credit channels, uplift underserved areas. These initiatives collectively aim to make financial services more accessible and tailored for rural communities.

In the forthcoming pages, a series of innovation case studies will be explored. These case studies, generated through one-on-one discussions, aim to illustrate a wide variety of innovative examples. It's important to note that these examples are selectively curated and not exhaustive.

Sustainable innovation is all about finding the best ideas that are simultaneously desirable, viable, and feasible



To foster sustainable innovations, financial institutions must emphasize three pivotal elements: desirability, ensuring their offerings cater to Bharat's needs and preferences; viability, evaluating the potential financial returns and long-term sustainability; and feasibility, assessing the practicality of implementation with available resources. By striking a balance between customer-centricity and astute business acumen, institutions can create solutions that drive growth, prosperity, and positive impact for Bharat.

Are we addressing critical customer pain points and needs?

- Does the innovation solve a problem or meet a need for Bharat?
- Does it simplify presently challenging processes?
- Does it improve accessibility for a financial service or product?

Will it create self-sustainable business impact and unlock value?

- Does the innovation have sustainable unit economics?
- Can it generate revenue or control cost to self-sustain the business?
- Does this create an intangible value for the brand?



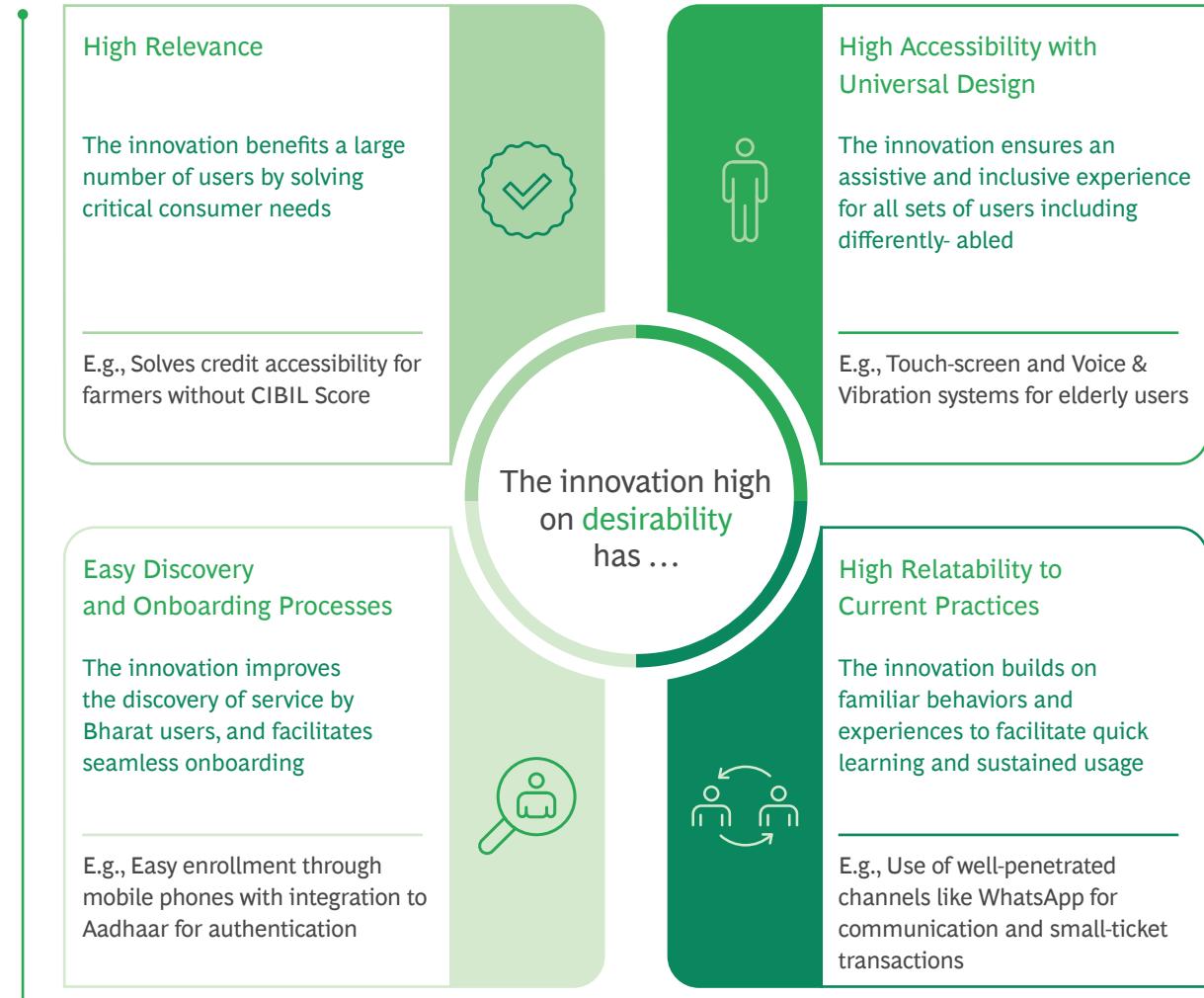
Can we build and launch this idea?

- Is it technically and operationally feasible? What are the risks?
- Do we have or can acquire the capabilities to build this at scale?
- Is the external regulatory environment conducive towards the innovation?

For desirable innovation, an idea needs to be highly relevant, relatable, and easily accessible



Assessment of an innovation's desirability involves a comprehensive evaluation of its multi-faceted attributes. A highly desirable innovation maximizes impact by addressing critical problems faced by a large user base and ensuring easy discovery and onboarding to streamline access. Moreover, it doesn't just end with a powerful offering; it goes the extra mile to ensure ease of adoption and sustainable usage by aligning with familiar behaviors and practices, thus significantly reducing cognitive load and promoting a seamless user experience.



Higher viability is driven by higher financial, operational, strategic, and clinical value along with scalability



Evaluating the viability of an innovation involves employing various metrics that gauge both tangible and intangible aspects of the business opportunity. A highly viable innovation goes beyond mere profitability; it focuses on generating long-term financial value, ensuring the sustainability of the innovation model and strategically positioning the business for success, unlocking new growth opportunities and market advantages. Additionally, it creates operational value by streamlining and simplifying complexities, enhancing overall efficiency and enabling the business to scale rapidly and cost-effectively, outpacing the traditional working models to drive unprecedented growth.

Creates Financial Value

The innovation boosts top-line by capturing new users or markets, charging a premium or lowering operational costs



E.g., Digital delivery for traditionally offline service, reaching Bharat consumers at low cost

Creates Strategic and Clinical Value

The innovation contributes to strategic objectives, generates differentiation or improves operational viability



E.g., Faster turnaround for a service (like credit approval), used in case of emergencies by Bharat

Creates Operational Value

The innovation reduces operation risks, legislative or compliance obligations



E.g., Alternate data-based risk assessment (smartphone data) for loan approval

The innovation high on **viability** ...

Facilitates Scalability

The innovation enables quick and cost-effective scalability of product or service

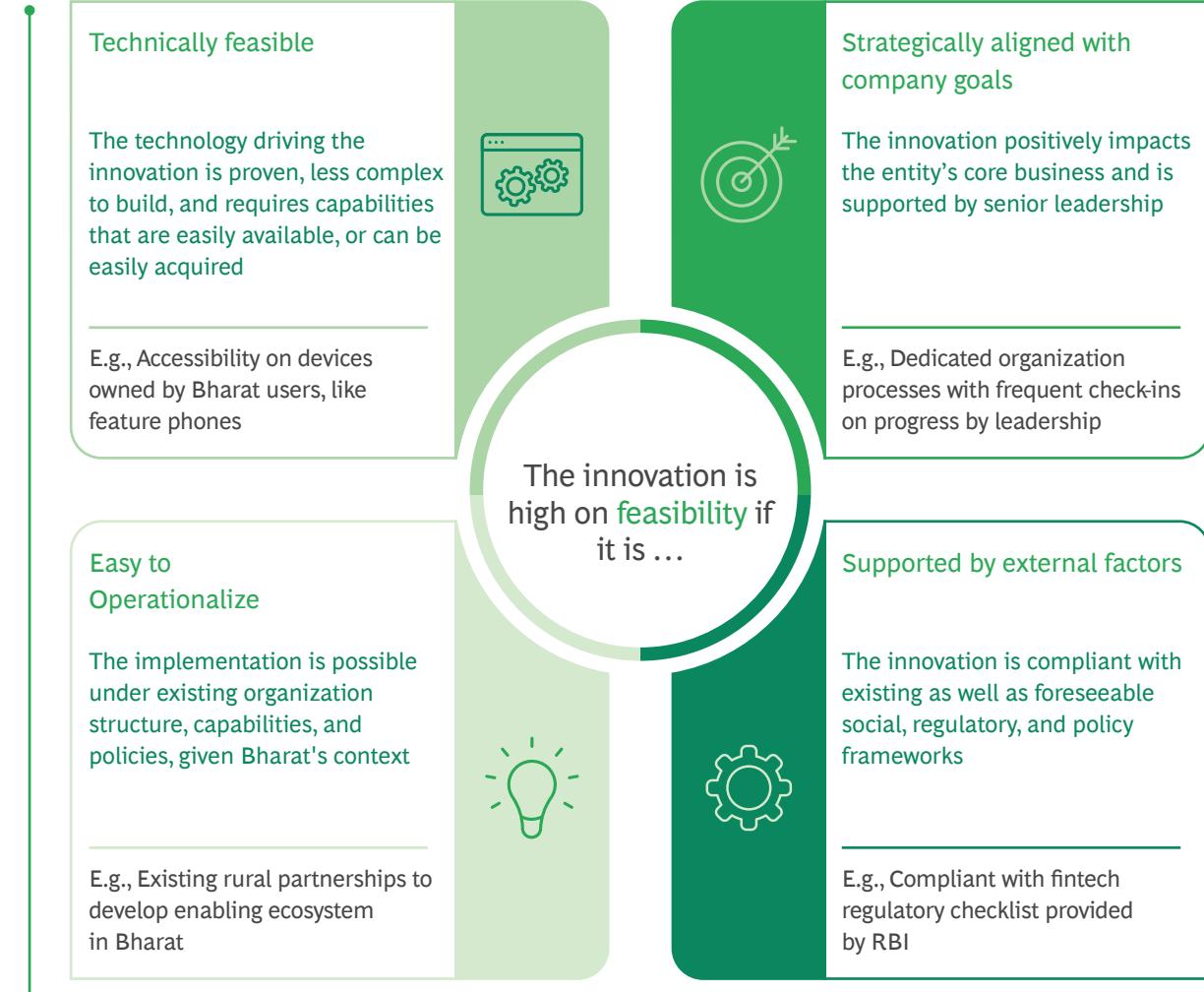


E.g., Partnerships with local Adhikaris to reach remote rural areas quickly

Highly feasible innovations have lower technical, operational, and logistical complexity



Assessing the feasibility of an innovation involves a thorough evaluation of its execution complexity. A highly feasible innovation is one that is technically possible to build and can be efficiently executed, making use of the existing operational capabilities and well-established organizational structures and policies. It aligns seamlessly with the company's long-term vision, garnering strong support and endorsement from the organization's senior leadership. Additionally, the innovation is anticipated to comply with external trends, or policies, further contributing to its potential success.





CASE IN POINT



Axis Bank | A private bank's segue into Bharat

Leading private incumbent with a specialized Bharat Banking Unit eyeing the huge economic potential of Bharat

“



Munish Sharda

Group Executive and Head
Bharat Banking, Axis Bank

At Bharat Banking, we are building a customer-centric model for both retail and institutional segments in the Rural and Semi-Urban (RuSu) markets of the country. The objective is to deepen the distribution and deliver the entire financial services product suite of the bank in a customized and seamless manner, keeping digital at the core. We are witnessing strong growth in assets and deposits from RuSu markets, increasing product coverage in the branches and existing customers, and faster accretion of priority sector lending assets across sub segments.



Addressing key challenges for Bharat

- Limited access to physical banking infrastructure with low digital literacy to use digital infrastructure
- Limited access to lending facilities
- Unavailability of formal paperwork or documents
- High cost of servicing rural consumers

“
Bharat Speaks

As the bank branches are far away from the village, the process of account opening of Axis Bank at my neighborhood outlet helped me in creating my financial identity

2K+

Bharat
banking
branches

650+

Districts
served

54K+

CSC VLE¹
network

86%

YoY growth in
Bharat branches
with >5 monthly
products

1. Common Service Centers, Village Level Entrepreneurs
Source: Axis Bank, Analyst Presentation

Distribution Innovation

Physical Access Points

- Axis Bank branches in remote areas designed for rural users
- Digitized hub and spoke model, expanding reach through partnership with Business Correspondent (BC) model
- Multi-stakeholder engagement leveraging Mandi ecosystem
- Partnerships with rural-centric corporates (fertilizer companies, etc.) and well-penetrated government bodies (CSC)

Business Model Innovation

Digital Co-Lending Models

- Partnerships with NBFCs, MFIs for tech-enabled joint lending model for shared risk-reward

Product Innovation

Product Suite Customized for Bharat

- Instant digital CASA opening with Aadhaar biometric eKYC; Welcome kit along with debit card provided immediately
- Quick and easy integration with partner tech through Axis Bank's Open Banking Platform
- Sampann, a premium banking services for Bharat enabling benefits across rural value chain (e.g. discounts on agri-inputs, discounts on lending fees, etc.)

...supported by enablers

Empowered Organizational Structure

Specialized Bharat banking unit with focused learning programs

Optimizing Efficiency through Digital and Data

Sourcing cost reduction for PSL businesses and predictive analytics for customer assessment

Innovative Risk Management Solutions

Technology-driven solutions to monitor risk and customize risk thresholds basis geographies



Axis Bank through the D-V-F lens

High Desirability

Generating value for Bharat consumers

- Hassle-free paper-less onboarding experience without branch visits
- Tailored offerings directed at consumers' pain points

High Viability

- ~5 lakh new CASA accounts opened in four months
- Manpower cost savings across value-chain from acquisition till activation
- Zero logistics cost; Eliminated paper transition and storage cost

High Feasibility

- Building high-impact partnerships with BCs; 1 lakh+ agents across four BC partners
- Bharat-focused organizational structuring indicating high leadership investment

CASE IN POINT



HDFC Smart Saathi | Transforming last-mile banking delivery

All-in-one platform offering quick agent onboarding, banking products, transaction capabilities, services, and more



Addressing key challenges for Bharat

- Lengthy onboarding processes deter Bharat users from using banking services
- Heavy reliance on partners' digital infrastructure causes vulnerability and service delays
- Inconsistent experiences across partners create confusion and dissatisfaction
- Bharat users' diverse needs require a flexible approach to product and service customization

Cloud-based white-labeled solution for Bharat



40+ banking
products
(incl. loans)



Real-time
agent
onboarding



Omni-channel
experience



Multilingual
support



Partner-level
customization



Plug-register-
play platform

Source: HDFC Bank; Secondary Research

Business Model Innovation

Cost Efficiency

- 1/10th cost of servicing and acquisition in comparison to traditional model
- No Physical Infrastructure for the bank

Reduced Go-to-Market Time

- Single One time API Integration for partner
- Agent onboarding in minutes

Distribution Innovation

Single App for all Products and Services

- Enablement of 40+ banking products on the platform
- 180+ services delivered on the platform without human intervention

Distribution@Scale

- Increased partner tie-ups on business
- Ease in management across all partners with one control unit at bank level
- Risk mitigation with complete API integration in the bank

Product Innovation

Plug-Register-Play Platform

- Real-time agent onboarding leveraging AI and ML to reduce the TAT
- Simple onboarding process for agents and customers

Platform Personalization

- Ability to customize the platform at the product level for catering to diverse customer needs

Pro-active Communication

- Improved communication with agents and customers through push notifications

Source: HDFC Bank; Secondary Research



HDFC Smart Saathi through the D-V-F lens

High Desirability

- Partner-level customization to adapt to the specific preferences of rural customers
- 'Plug-register-play' platform for simple, easy, and user-friendly onboarding experience

High Viability

- A 1/10th reduction in servicing and acquisition costs ensures economic viability

High Feasibility

- Single API integration to simplify partner engagement and drive scalability
- Reduced GTM time to 1 week from 6-7 weeks

CASE IN POINT



Federal Bank | Redefining accessibility with conversational banking

Insurance scheme offerings on WhatsApp

Addressing key challenges for Bharat

- Low awareness of insurance schemes viz. Pradhan Mantri Jeevan Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY)
- Limited understanding of the enrollment process and benefits resulting in the schemes being significantly underutilized

Distinctive features enhancing financial inclusion



Ease of enrollment that allows subscription in very short conversations



Virtual engagement with images, videos, and text to explain scheme effectively



Real-time communication via WhatsApp



Instantaneous service Customers can provide nominee details and consent via OTP



Simplified process with ease of conversation with the bank



Cost-effectiveness Operational cost less than ₹1

Transformative Outcomes

- Better reach with simple and well-penetrated channel of WhatsApp for availing insurance scheme
- Provides convenience, cost-effectiveness and real-time interaction



CASE IN POINT



Early Stage Innovators | Money Purse - Pioneering Bharat's financial renaissance for rural SHGs

Holistic platform for Bharat - digital financial empowerment, doorstep cash management, real-time transaction insights, and beyond



Addressing key challenges for Bharat

- Complex processes delay SHG loans, require dual signatory authentication
- Internal lending results in interest loss, record-keeping issues in SHGs
- Cash handling risks in SHGs: security, financial tracking challenges
- Banks lack real-time individual SHG member data for decisions
- Limited tech adoption in the lending process affects record accuracy, data-sharing

"Money Purse: The Last-Mile Partner"

A unified platform by Anniyam Payment, launched in January 2023

150+

Agents
pan-India

1000+

SHG groups
served

4+

Zones
coverage

7+

Strategic
partnerships
including
PS banks

Source: Discussions with Money Purse team, Secondary Research

Business Model Innovation

Strategic Partnerships to Ignite Reach

- Collaboration with public sector banks amplifies Money Purse's reach and credibility
- Leverages expertise and resources for widespread market access and women's empowerment

Unified Neo Banking Platform

- First-of-its-kind platform to enable digital journeys for Self-Help Groups and Joint Liability Groups

Distribution Innovation

Assisted Doorstep Access

- An assisted model through existing agent networks, extending the reach of financial institutions to underserved areas
- Provides access to banking and financial services without physical branch visit

Product Innovation

Digital Financial Services

- Digital docs, E-signing, hassle-free processing, enhancing efficiency, and convenience

Real-time Transaction-based Bookkeeping

- Transparent, current financial records; aids improved group management and decision-making

AI-powered Attendance Verification

- Enhances loan disbursal efficiency through AI-based facial recognition for meeting attendance

Real-time Digital Data

- Member-level credit history and analytical reports, aiding financial institutions in making informed lending decisions
- Use of ML to assess credit-worthiness based on parameters set by IBA and NABARD

Source: Discussions with Money Purse team, Secondary Research



Money Purse through the D-V-F lens

High Desirability

- Comprehensive digital journeys to empower SHG women and micro-entrepreneurs
- Assisted model provides doorstep financial access, uplifts social status
- Value-added services like gold investment further benefits members

High Feasibility

- Leveraging existing agent networks in Bharat to provide access to financial services
- Real-time digital data from the application to provide scalable lending assessment



CASE IN POINT



Early stage innovators | Jigyasa Rurban - Diverse, equitable, and inclusive marketplace

Retail innovation by delivering quality
products using technology



Addressing key challenges for Bharat

- The persistence of low-quality, counterfeit products in rural areas remains a concern
- Access to formal credit for retail consumer product purchases remains unavailable
- Rural consumers still lack access to modern-day convenience in ordering and delivery

13K+

Customers
served

60K+

Orders
processed

42

Team
members

900

Villages
served

Source: Discussions with Jigyasa Rurban team, Secondary Research

Business Model Innovation

- Centralized warehouse for order processing, streamlining logistics, and ensuring cost-effective operations
- E-grocery model with doorstep delivery, reducing operational costs while enhancing customer convenience
- Empowers consumers by offering free microfinance services with interest-free credit to consolidate monthly consumption

Distribution Innovation

- Joint Liability Group (JLG) model ensures reliable demand aggregation and credit offerings, fostering sustainability
- Targets women exclusively for membership, expanding their access to essential products

Product Innovation

- A diverse product range to meet the varied needs of rural consumers
- Ensures quality assurance, addressing the issue of spurious products common in rural areas



Jigyasa Rurban through the D-V-F lens

High Desirability

- Hassle-free doorstep delivery of groceries in remote locations
- Access to genuine, high-quality products for customers
- Interest-free 28-day credit facility for customers

High Feasibility

- Centralized warehousing and efficient logistics system for overall distribution scalability



Source: Discussions with Jigyasa Rurban team, Secondary Research

CASE IN POINT



Meesho | Empowering entrepreneurs and redefining e-commerce

An inclusive e-commerce platform exemplifying disruption best tailored for the people of Bharat



Addressing key challenges for Bharat

- Limited digital literacy and lack of vernacular options
- Difficulty in adopting new tech processes
- Limited financial means for setting up middle mile and last mile supply chains
- Highly value-conscious in purchase decisions

120Mn+

Customers
pan-India

>80%

Customers
from Tier-2
and beyond

3.5Mn

Average
daily orders

1Mn+

Sellers on
the platform

Source: Secondary Research

Product Innovation

Minimalist Technical Interface to Ease Adoption

- Easy to navigate application with an intuitive UI
- Easier discovery process using recommendations – high share of orders from recommendations (75%) against search driven orders (25%)
- Focus on smaller number of categories and products - aids ease of use

Multilingual Supporting Infrastructure

- Multiple vernacular options for app interface
- Local language support for sellers

Business Model Innovation

Inventory-Light Model

- No inventory holding with Meesho - saving on warehousing costs
- Elimination of risk of slow moving or obsolete goods in system

Robust Supplier Network

- Curated supplier network for high-quality, low-priced products
- Zero commission model to minimize selling price

Distribution Innovation

Dependable Outsourced Logistics

- No responsibility of sellers to handle logistics
- Largest third-party logistics management system in India (asset-lite model)
- Direct shipment from seller to customer



Meesho through the D-V-F lens

High Desirability

Generating value for Bharat **consumers**

- Low-cost products for value-conscious buyers due to zero-commission model
- High variety of product choices in available categories

Generating value for the **sellers**

- Zero on-boarding charges and fuss-free business opportunity for sellers

High Viability

- Emphasis on high-quality supplier network to ensure minimal logistic costs on return
- Capturing high-potential growing market of rural shoppers seeking access to value products

High Feasibility

- Quasi-regional approach to product choices with understanding of local preferences
- Lightest Indian application (app size) for people using phones with limited storage
- Relevant and personalized offerings for users with the recommendation engine

Source: Secondary Research

CASE IN POINT



Spice Money | Spicing up the Bharat Banking Revolution

Digital platform for Bharat - banking services, payment facilities, cash collection, travel assistance, and many others

“



Dilip Modi
Founder, Spice Money

JAM trinity has truly been transformative for Bharat. The seeding of every citizen's Aadhaar identity with their bank account has enabled us at Spice Money to convert a merchant in a small village with a smartphone connected to a biometric machine to become an ATM banking point for the community living in that village. With a coverage of over 250,000 villages with over one million merchants, we offer a unique proposition now to all banks and financial institutions to serve millions of consumers and small businesses in Bharat in a very cost-efficient way with innovative small-ticket financial products.



Addressing key challenges for Bharat

- Lack of physical banking infrastructure (ATMs, branches) in remote regions
- Limited digital literacy, requiring assistance for basic support
- Trust in social circle over brands for purchase decisions
- Difficulty in trusting and reaching out to multiple individuals and entities for different services
- Limited financial means for business investments (Adhikaris)

“
Bharat Speaks

For my urgent fund requirement, I applied for a gold loan at an Adhikari outlet next door and with his support, got the funds within 48 hours in my account

250Mn+

Customers pan-India

2Lakh+

Villages covered

18K+

Pincode coverage

22Mn+

Monthly transacting customers

Source: BCG Analysis

Business Model Innovation

Multi-Service Digital Platform

- Dependable one-stop multi-service shop, saving time, effort, confusion in dealing with multiple entities

Ecosystem Value Distribution

- For Customers: Easy access to various services
- For Adhikaris: Zero investment business opportunity
- For Service Providers: Cost-effective access to hard-to-reach customers

Distribution Innovation

Open-Network Assisted Digital Distribution

- Local representatives (Adhikaris) operating booths in remote areas within short home/workplace radius

Fostering Local Connect

- Reliance on familiar faces in community
- Trained, digitally-proficient Adhikaris as service enablers

Digital Public Infrastructure

- Leveraging current digital stacks like JAM, AePS, BBPS and UMANG to provide access to Bharat

Product Innovation

Designed for Ease of Adoption

- Aadhaar-enabled Payment Systems (AePS), mobile ATMs as an alternate to sparse physical ATMs
- Bharat Bill Payment System to enable cash collections from agents / rural consumers

Flexible Repayment Schedules

- Daily repayment of loans for nanopreneurs matching with their cash flows

Source: BCG Analysis

Spice Money through the D-V-F lens



High Desirability

Generating value for Bharat **consumers**

- Ease of dealing with one entity over multiple
- Convenience of availing basic service in vicinity
- Ease of trusting service due to presence of physical brick-and-mortar shop
- Support of service enablers or Adhikaris

Generating value for the **adhikaris**

- Zero investment business opportunity

High Viability

- Low-cost model of penetrating tough-to-access rural markets via local POCs or Adhikari network
- High physical on-ground coverage via Adhikari model, digital platform differentiates it from other online service providers

High Feasibility

- Access to non-digital users via local Adhikaris
- Strategic partnerships with financial services' giants



04

Charting the path for financial innovation

Fostering innovation and inclusion in rural India calls for a united and multi-faceted strategy that aligns various stakeholders across the value chain.

Innovators: Offer self-selling products, provide seamless experiences through gamification and multilingual platforms, utilize established channels, and build trust via local connections

Investors: Access to low-cost funding options, fintech-focused funds, and accelerator programs for early-stage innovative fintechs

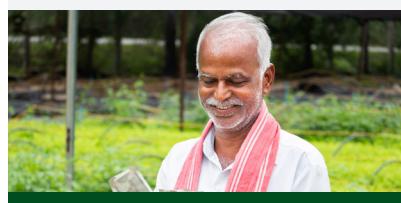
Incumbents: Develop uniform onboarding framework, secure synergies through standard protocols and regulated distribution, and set up robust grievance and redressal mechanism

Policy-makers: Facilitate convergence across industries, launch funding boosters and fintech compliance kit, and democratize data

Together a concerted effort across stakeholders can go a long way in driving financial inclusion and uplift for this growing, and critical segment of the society.

Holistic action agenda needed across ecosystem players, to drive a meaningful innovation for Bharat consumers

Innovators	Incumbents	Investors	Policy-Makers
E2E Solutions for Bharat, with D-V-F at the core of innovation	Collaborative models to strengthen the backbone of last-mile delivery	Differential approach for funding Rural-Semi-Urban focused entities	Enabling environment for cross-industry collaborative innovation
Relevant, Affordable and Self-selling products, with 'Rural-Human centric' designs (income profiles, rural consumer goal based,...)	Simplify Fintech-Incumbent collaboration interface, to drive scale at speed (uniform onboarding framework,...)	Low cost and easily accessible funding from public, private and govt. funds to promote sector	Data rich environment for Bharat <ul style="list-style-type: none"> • Publishing granular data (gender, RUSU,...) on financial metrics • Enable BOP coverage through bureaus
Innovation over public stacks to focus on access (lite app, vernacular) and usage (bite-sized)	Joint innovation @ Scale - Synergize with industry innovators, bring collectively viable distribution (BC, postal network,...)	Fintech focused funds - for financing early and mid stage fintechs by non-profits	Programs to incentivize investors for Funding boosters to Bharat focused Fintechs
Trust and Confidence embedded from Day 1 (fraud resistant, awareness via gamification, multi-lingual,...)	Technology and Compliance at the center of design, to ensure adoption and scalability	Accelerator programs - E2E aid for early stage Fintechs to build proof of concept	Enable Fintechs for better compliance, and governance and ensuring sufficient RegTech and SupervisoryTech
Leverage power of influencers & local communities, for branding and promotion	Standardized integration and security protocols, with consumer protection focus (e.g., proactive grievance addressal)	Build Bharat focused Fintech Innovation Platform - broader access to learnings captured (consumer insights, local distribution, cultural nuances, etc.) for accelerated ramp-up of emerging Fintechs	Facilitating guidelines for convergence across industries to drive inclusion via innovation <ul style="list-style-type: none"> • Data sharing across FIs, Telco, FMCG, for customer risk and solutioning • Leveraging distribution network, etc.
Collaborative build and distribution for win-win models, to bring sustainability and viability in execution	Dedicated units for Bharat or Rural-Semi-Urban Banking for focused innovation and servicing		



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