



FINANCIAL INCLUSION

Issues & Possible Solutions

Investnet-India

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1. Hack'D 2016

A 24 hour Hackathon, Hack'D 2016 will be conducted by Envestnet India on 16- 17 October 2016, at Envestnet Towers, Kuruvankonam, Trivandrum.

Theme

'Code for a Cause' being the theme, Hack'D- a 'do good' hackathon, will provide students, subject matter experts and Envestnet, the opportunity to explore tech solutions to identified real world issues.

Categories

Financial Inclusion and Healthcare are broad categories shortlisted for the purpose. Issues identified under each category would be such that tech solutions can be developed.

Way Ahead

Identifying Causes and Tech Solutions

- Subject matter experts from governmental/non-governmental/private organizations identify and articulate pain-points/significant issues pertaining to their area of expertise
- Envestnet documents issues identified by SMEs in each category and shares them with participating private and government engineering colleges across South, Central and North India
- Colleges nominate Hackathon teams who develop and share synopsis of application concepts
- Based on evaluation of synopses recd. from colleges, Envestnet invites Hackathon teams from 10 shortlisted colleges to pit their coding skills against each other during Hack'D 2016

Presenting at the Conference on Architecting Intelligence

- Invited hackathon teams present their synopses at Envestnet's prestigious Conference on Architecting Intelligence (15 October 2016, Trivandrum)
- Students get the opportunity to interact with the audience comprising Architects, Product Managers, Bankers, Data Scientists, and SMEs in the field of Financial Inclusion and Healthcare

CodeForACause at Hack'D 2016

- The 24 hour Hackathon- Hack'D is conducted the day after the Conference (16- 17 October 2016)

- Invited Hackathon teams mentored by panel of senior in-house architects, develop innovative tech solutions for the causes/issues identified
- The team developing the best solution is declared winner, while the team coming up with the next best solution is adjudged runners-up, making the teams eligible for prizes of Rs. 3 lacs and Rs. 1 lac respectively. Deserving students may receive offer of employment.

2. Panel Discussion: Financial Inclusion

A panel discussion was conducted with industry experts (SMEs) at Envestnet Towers, Trivandrum, to identify issues encountered in Financial Inclusion.

2.1 Personalized Credit Score

2.1.1 Introduction

A credit score is a number ranging from 300-850 that represents a person's creditworthiness. The higher the number, the more credit worthy a person is deemed to be. It is primarily used by banks and credit card companies to evaluate the potential risk posed by lending money to borrowers.

2.1.2 Problems

- Credit score is calculated based on data shared by banks reflecting timely payment of an individual's loans and credit cards dues. People who have no access to formal channels of credit are financially excluded due to low/nil credit score. According to the World Bank, less than 1 In 10 people in low and middle income countries around the world are on file in public credit registries
- Alternative payment data of contractual agreements (such as utility bills, cheque bounces, insurance premiums, rentals etc.) are not taken

into consideration in the traditional credit score calculations to measure and profile financial discipline

- People who have a credit score and have credit relationships with banks have a skewed picture of their financial discipline since alternate payments are not considered in current credit scoring models
- Consumers do not have ready access to their credit score nor is it freely available. As a result, most consumers never check their credit score or check them once in a blue moon. Hence credit scoring system today does not encourage greater personal financial discipline in a consumer's daily life
- Consumers have very little awareness as to how they can improve their credit score or why their credit score could drop as a result of financial indiscipline. The credit score currently indicates a consumer's credit worthiness at a particular point in time but does not show how the score has improved over time
- There is no incentive for consumers to build their credit score since its utility is limited to loan applications and they do not receive other benefits for possessing a higher credit score
- Financial Institutions cannot proactively identify consumers who are likely to default on their loans
- The reputation of consumers and the connections they have in society play no role in how their credit score is derived.
- Adding qualitative measures like depth and breadth of social connections and alternate payment data could help refine algorithms used to derive credit scores
- Self-help groups and social enterprises with no formal banking relationships currently do not have a credit profile
- Contractual payments made online do not contribute to building credit scores

2.2 Crowd Sourcing Economic Data

2.2.1 Introduction

Indian Statistical System - Current Scenario

Over the years, the efficiency and effectiveness of the Statistical System in India has deteriorated. The deterioration has taken place at the very first stage of collection and recording of data. Concerns have been raised on figures being inflated due to misclassification of certain items and data-entry errors, National Sample Surveys systematically

underestimating household consumption, duplication of efforts across various government departments in collecting statistics, and the infringement of privacy by the government's data-collection machinery. Aforementioned are a few issues among many that have reared their head in the statistical framework of India.

National statistics is an aggregate of sub sectors wherein large data gaps exist. Improvement of the data collection mechanism for each sub-sector (Agriculture, Healthcare etc.) and geographic area will have an impact on the national statistics.

2.2.2 Problems

Some of the challenges that statistical institutes have faced at the stage of data collection are:

- Time lag in data collection
- Irrelevance or duplication of data
- Omission of pertinent data
- Too little data acquired from sources
- Poor documentation by staff
- Time constraints
- High cost involved in data collection

2.2.3 Sources for Case Studies

<http://devpolicy.org/bridging-data-gaps-policy-making-crowdsourcing-big-data-development-20160708/>

<http://brandondonnelly.com/post/142429813003/how-premise-is-crowdsourcing-economic-data-in>

2.3 Technology Solution for CSR Initiatives

2.3.1 Introduction

The new Companies Act of India 2013 has introduced several new provisions which change the way corporates do business in India. Under the Companies Act 2013, it is mandatory for companies above a certain financial threshold to spend at least 2 per cent of their average net profit of the preceding three years on Corporate Social

Responsibility (CSR). According to Indian Institute of Corporate Affairs, a minimum of 6000 Indian companies will be required to undertake CSR initiatives to comply with this act and an estimated 20,000 crore INR will be put forward by them as commitment amount towards CSR.

2.3.2 Problems

The combination of regulatory as well as societal pressure has meant that companies have to pursue their CSR activities more professionally. CSR in India has traditionally been viewed as a philanthropic activity, which has moved from institution building (educational, research and cultural) to community development through various projects. Though the total CSR spend has increased year on year, the total spending is still below the prescribed limit of 2 per cent spending of the three-year average pre-tax profits of the companies. According to a recent study of the top 250 companies listed in BSE, only 79% (5500 crore) of the committed money (7000 crore) is actually spent. Also, there seems to be a clear mismatch in the way the money is given away by these firms. Some of the problems identified are:

- Difficulty in identifying credible partners or lack of awareness in finding good CSR implementation partners
- Many companies are undertaking CSR initiatives for the first time and hence, lack professionals experienced in the field in their organizations
- Degree of complacency shown by public sector units in meeting CSR targets
- Lack of awareness among general public and poor visibility accorded to CSR efforts undertaken
- Companies do not extend their lending arm beyond immediate stakeholders
- Difficulty in conducting due diligence and prioritizing the requests, with smaller CSR teams in some firms

2.3.3 References

<https://www.pwc.in/assets/pdfs/publications/2013/handbook-on-corporate-social-responsibility-in-india.pdf>

<http://ngobox.org/media/India%20CSR%20Outlook%20Report%202015-Abridged%20version-NGOBOX.pdf>

3. About Investnet

Investnet, Inc. (NYSE: ENV) is a leading provider of unified wealth management technology and services to investment advisors. Our open-architecture platforms unify and fortify the wealth management process, delivering unparalleled flexibility, accuracy, performance, and value. Investnet solutions enable the transformation of wealth management into a transparent, independent, objective, and fully-aligned standard of care, and empower advisors to deliver better outcomes.

Investnet's Advisor Suite® software empowers financial advisors to better manage client outcomes and strengthen their practices. Investnet provides institutional-quality research and advanced portfolio solutions through our Portfolio Management Consultants group, Investnet | PMC®. Investnet | Tamarac provides leading rebalancing, reporting, and practice management software.

Investnet | Yodlee is a leading data aggregation and data analytics platform powering dynamic, cloud-based innovation for digital financial services. More than 950 companies, including 11 of the 20 largest U.S. banks and hundreds of Internet services companies, subscribe to the Investnet | Yodlee platform to power personalized financial apps and services for millions of consumers. Investnet | Yodlee solutions help transform the speed and delivery of financial innovation, improve digital customer experiences, and drive better outcomes for our clients and their customers.

For more information on Investnet, please visit www.investnet.com and follow @ENVintel (<https://twitter.com/envintel>).

About Investnet India

Investnet India, based in Trivandrum, is the India-based Development Center of Investnet, Inc, a leading provider of unified wealth management technology and services to advisors and institutions. For more information on Investnet India, please visit our LinkedIn page:

<https://www.linkedin.com/company/investnet-india?trk=biz-brand-tree-co-name>