

Small Video before we begin! (Double click below)

09*Across***04***Amongst***25-42***on***What**Personal & Telephonic
interviews conductedTier 3 and below, rural
villagesYears old
respondentsAre their average incomes
and saving sources etc.,

Name:- Datta Arya



Your Occupation:- Watchman

Your Monthly Income:- Rs. 15,000

Where do you invest your Savings:- Bank & Insurance

When Need of money, where do you lend it from:- Family and Friends

Name:- Neeta Davgar



Your Occupation:- Housemaid

Your Monthly Income:- Rs.8,000 – Rs.9,000

Where do you invest your Savings:- Savings Bank Account

When Need of money, where do you lend it from:- Advance from
Clients/customers of services

Name:- Shambhu Kumar



Your Occupation:- Construction worker

Your Monthly Income:- Rs.6,000

Where do you invest your Savings:- Bank & Insurance

When Need of money, where do you lend it from:- Contractor

Name:- H K Kumaraswamy



Your Occupation:- Self Employed/ Medical Store

Your Monthly Income:- Rs.40,000 - 50,000

Where do you invest your Savings:- Fixed Deposit and Business

When Need of money, where do you lend it from:- Overdraft from banks/
Friends and Relatives

Existing MF Models

Research and Insights

Approach and Scenario Planning

Our Big Idea and Challenges

Advantages and Implementation

Marketing and Future Prospects

Pilot Study and Business Impact

Self Help Groups

- 5-20 members of similar social standing
- Mobilize savings
- Funds used for common interests



Federated Self Help Groups

- Federation of multiple SHGs
- Three levels of hierarchy
- Higher savings and bigger loans
- About 1000 members



Grameen Bank

- Based on group discipline
- Peer pressure
- Quick loans, No collateral, small repayments, low transaction costs



EXISTING MICROFINANCE DELIVERY MODELS

ROSCAS Model

- Limited credit availed by members in turns
- Similar to chit funds
- Smaller contribution by each member
- Only repayment will result in loan to next member



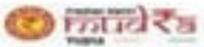
Co-Operative Model

- Credit union model
- Savings first strategy



Microfinance Companies

- NBFC agencies
- Finance to Needy
- Serve specific section of people
- RBI regulated financing



Pradhan Mantri Mudra Yojana

- Provide loans up to Rs 10 Lakh to non corporate, non farm small/micro enterprises
- Loans can be given by MFI, Cooperative banks, NBFCs

01



National Rural Livelihood Mission

- Idea is to organize poor into SHG groups and make them capable for self employment

Self Help Group-Bank linkage programme:

- Aims to link unorganized sector of the population to formal banking

02



Deen Dayal Upadhyaya Grameen Kaushalya Yojana

- Aims to target the age group 15 -35 years
- Dual objectives of adding diversity to the incomes of rural poor families and cater to the career aspirations of rural youth

03



Pradhan Mantri Jan Dhan Yojana (PMJDY)

- National Mission for Financial Inclusion
- Ensures access to financial services

Basic savings A/c

Access to need based credit

Remittance facility

Insurance

Pension

Financial Services



Kisan Credit Card Scheme

- Offered exclusively to the farmers
- Ensures insurance to crops

Features

- Get interest at saving bank rate on credit balance in KCC account
- Insurance cover is available for the Card holder's life as well for the crop
- Interest subvention @2% p.a. is available for loan amount up to Rs. 3 Lacs
- Credit facility is offered for both agricultural as well as other agro-allied activities.
- Notified crops / notified areas are covered under crop insurance for all KCC loans

Reasons for ineffectiveness of PMJDY and KCC:

- ① Lack of banks close by
- ② Only 27% of the villages had a bank within 5 kilometers
- ③ Bare minimum financial literacy in villages
- ④ Increasing awareness has become a challenge for government.
- ⑤ Century old practice of using currency and gold

Stakeholders' Pain points

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Customer

- A. Inertia among customer habits
 - Century old practice of using currency and gold
 - Skeptical when it comes to using technology
- B. Awareness level
 - Unaware of the existence of other forms of digital money



Tele Money

No telecomm player has market share more than 50% in India. This limits the scope because of no-inter-operability of funds between different networks.

Accessibility-major issue when targeting rural markets.

Availability-Hard to gauge level of liquidity available with the retailers

Government

- A. Overburdened
 - with other schemes and services; Needs private support to increase financial inclusion
- B. MoU with Post Office Payments Banks
 - ensures digital disbursement of funds directly into these accounts. (limits avenues for TeleMoney)

3rd Party Partners

Poorly developed Eco-system for TeleMoney as limited vendors are willing to transact in it.

The target should be able to use retailer network at more.

This would also **increase accessibility** and boost overall volume of transactions

Rural HH Statistics

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Average Monthly Household Income

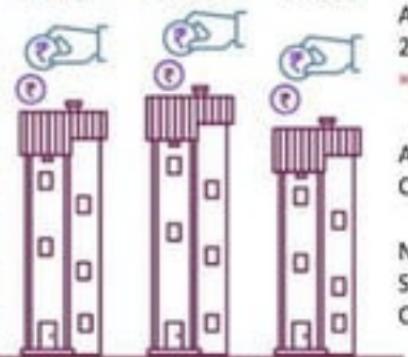
Rural Household Savings

Rural Household Income

Rural Household Investments

Rural Household Savings

₹ 9,104 ₹ 9,657 ₹ 8,603



Average Savings in 2017 per household = Rs. 9104

Agricultural Savings Contribution = 52.8%

Non- Agricultural Savings Contribution = 47.2%

Source of Income	Agricultural Households	Non-agricultural Households	All Households
1	2	3	4
Cultivation	3340 (35%)	NA	1494 (19%)
Livestock Rearing	711 (8%)	NA	338 (4%)
Other Enterprises	489 (5%)	851 (12%)	679 (8%)
Wage Labour	3025 (34%)	3940 (54%)	3504 (43%)
Govt./Pvt. Service	1444 (16%)	2326 (32%)	1906 (24%)
Other Sources	122 (1%)	152 (2%)	138 (2%)
All Sources Combined	8931 (100%)	7269 (100%)	8059 (100%)

Daily Wage Earners: wage labor was the most remunerative source of income for all households contributing a major proportion of roughly half of the total household income

Rural Household Investments



Average investment per household in 2017 reporting any investment by type of assets (in rupees) = Rs. 60,529

73% of the total amount is invested in physical assets and the remaining 27% is invested in financial Assets (Rs. 16,624/ year).

Why Sachet-ing?

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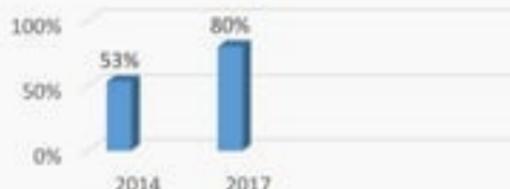
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Financial institutions have invested significantly in boosting the last-mile connectivity of their financial products. However, one of the reasons for low adoption of instruments is **commoditization of products**. Due to cost economics, products are typically offered in standard pre-defined slabs.

White spaces in the adoption of Financial Instruments

Proportion of Indian Adults having a bank account



As per the World Bank global index data, 80% of Indian adults now have a bank account



1 out of every 2 accounts is inactive



Only 1% of the rural population invests in financial instruments

Is Sachet Moment the future of Micro Finance?

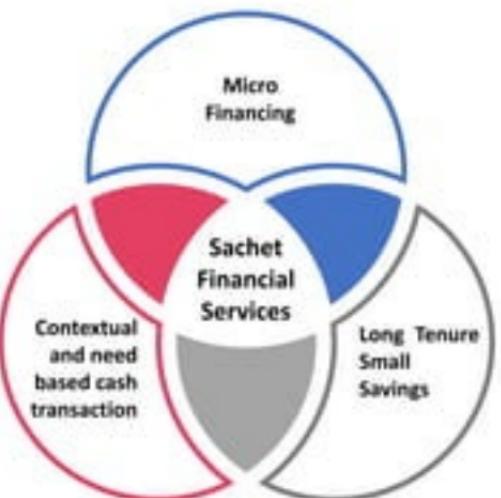
"

The ultimate objective of providing financial services in sachets is to help anyone access any financial product anytime, anywhere and in any quantity, as per the specific requirement.

"

- Small package offerings, commonly referred to as sachets, have transformed a few industries, including (FMCGs), telecom and direct-to-home (DTH).

- One of the key objectives of sachet services is to 'transition from luxury to affordability'.
- Products and services which were earlier too expensive for the masses are made available in the bare minimum and necessary quantities.
- There is huge potential to customise financial products.



Scenario Planning

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Financial Inclusion

Financial Inclusion has become one of the most critical aspects in the context of **inclusive growth** and **sustainable development** in the developing countries like India. Financial inclusion is a process of **ensuring access to suitable financial products and services** needed by susceptible groups such as weaker sections and low-income groups at an affordable cost in a fair and transparent manner by mainstream financial institutional players.

Indian Financial Inclusion (as a %)

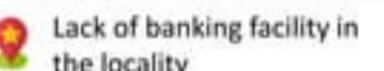
	2011	2014	2017
Account (% age 15+)	35.2	53.1	78.9
Account, in labor force (% age 15+)	43.6	63.6	83.9
Account, income, poorest 40% (% ages 15+)	27.0	43.6	77.1
Account, rural (% age 15+)	33.2	52.2	79.3

Proportion of HHs that have invested (as a %)

Indicator	All Households	Even though Financial Inclusion is around 80%, only 9.5% of the households have made a significant investment in Financial Assets
1	4	
HHs that made any investment	9.5	
HHs that invested in any Financial Assets	2.5	
HHs that invested in any Physical Assets	8.1	

Scenario Planning

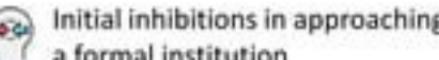
Reasons for Financial Exclusion



Lack of banking facility in the locality



Financial illiteracy & Language



Initial inhibitions in approaching a formal institution



Cumbersome documentation and procedures



Lack of awareness



Fear of refusal

Quite a few of the above problems were addressed with the advent of Payment Banks. Payment Banks have played a key role in improving financial inclusion in India. However, Payments Banks have following limitations:

Limitations of Payment Banks:

1. Smart phone and Mobile Internet penetration in rural villages is very low.
2. Rural people in India prefer cash transactions.
3. Majority of the rural people earn daily wages.
4. Payment banks cannot issue Credit Cards.
5. Payment bank can accept deposits up to Rs. 100000/- from single customer and doesn't offer returns on the deposits.

How do we overcome these?

→ Our Big Idea

Our Approach



Empathy

Daily wage earners are unable to use facilities offered by Payments Banks due to poor internet availability as well as lack of financial literacy and their preference for cash transactions



Defining

To make financial transactions more accessible and beneficial for the rural people



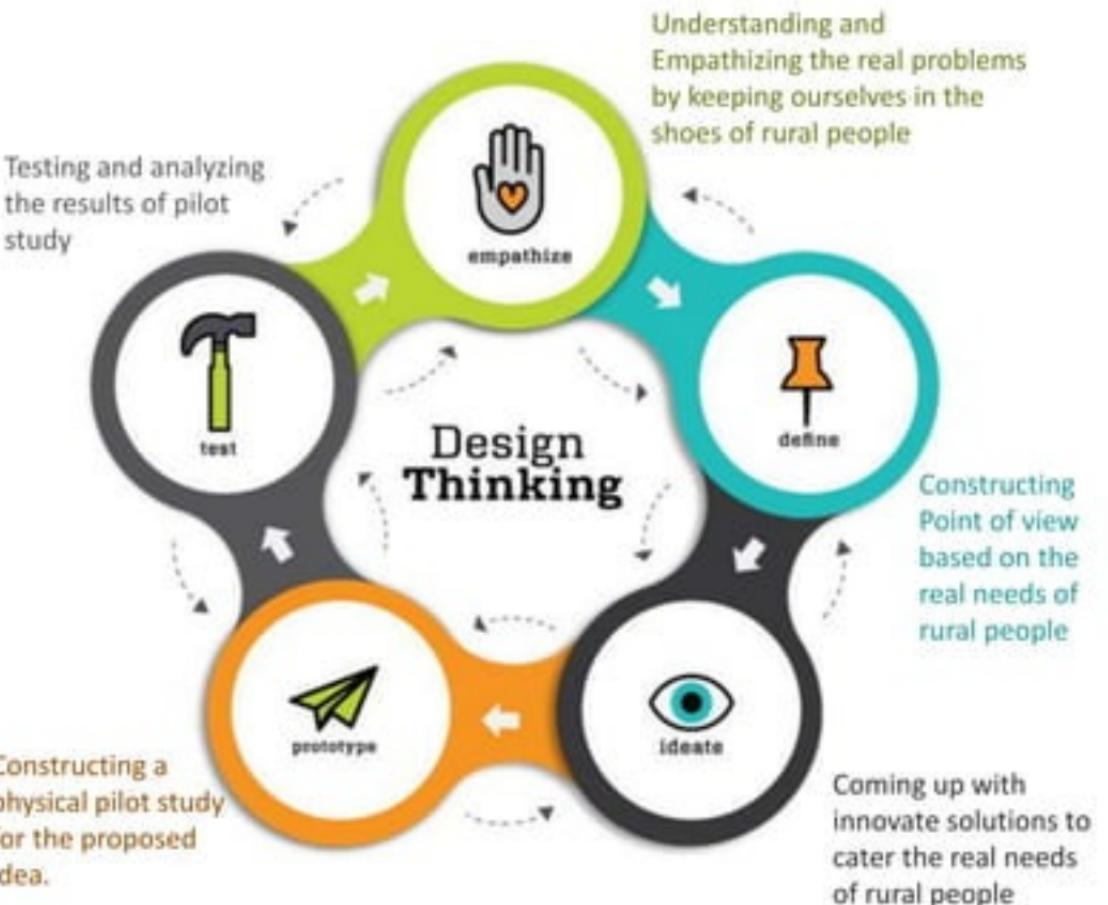
Ideation

Team UnKonventional decided to provide the rural people with the option of saving their money in small sachets through IOT enabled technology and guarantee the returns



Prototype and Testing

The idea can be launched on a pilot basis in a nearby village, Vadakkekara where the people would be given NFC chips



The Major problems as we identified are: Financial illiteracy, low smart phone and internet penetration and the tendency to transact in cash



To Tackle this, we propose an NFC based system which allows people to invest in Financial Instruments such as Mutual Funds, SIP or such other portfolio by mere procurement of these Devices from local retailers



Once Procured these devices like Mutual Fund units will have its value fluctuate which can be readily checked through mobile Apps or monitoring devices at the retailer store



These forms of Investment are highly liquid as the Investors can resell the units back to the retailer or to others whenever in need of cash



The retailers at the end of the day will be depositing/withdrawing the Balance with Bajaj Finserv through a Pre-maintained Deposit Account (Similar to Ola/Uber Driver Accounts)



Bajaj Finserv Invests the funds in various Financial Instruments based on the Risk Appetite and Return Expectation

NFC options

NFC tags are passive devices, which means that they operate without a power supply of their own and are reliant on an active device to come into range before they are activated.

NFC Chips

Chips similar to Metro Tokens in 3 different colors to make them easily identify the risk and returns



NFC Rings

A Wearable NFC ring which allows Customers wear them as a form of traditional jewelry rings.



NFC Cards

An ATM Card Like device with an extension allowing the same card to act as a debit card



Our Big Idea

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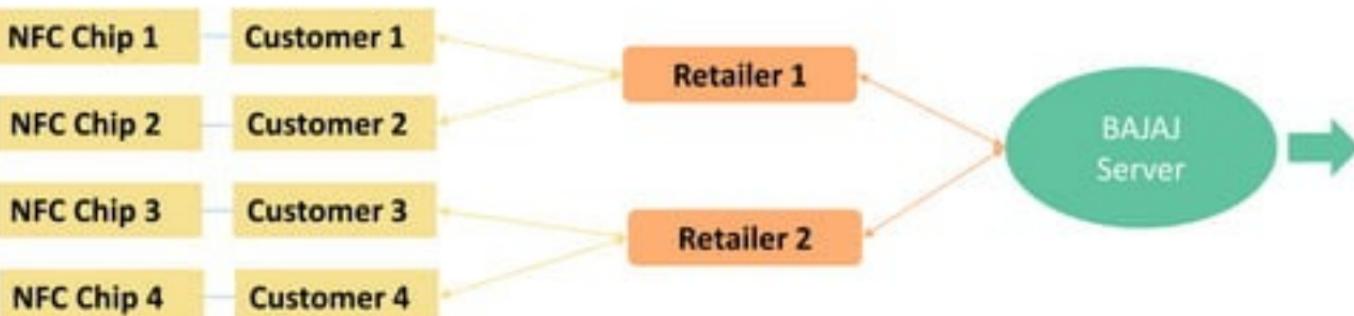
In Detail

- Setting up a micro-investing environment in the underserved areas where the customers can invest in the Mutual Funds with the help of Bajaj Finserv Expertise and gain returns on their investment.
- Bajaj Micro will help the people in breaking the glass ceiling by helping people of low income invest in Mutual Funds



Information Flow

- The information will flow through the help of NFC technology, from the customers to the shopkeeper/retailers and then to the Bajaj Finserv server.



1

BAJAJ Finserv would give NFC Chips/Rings or cards to rural people upon registration

2

They can invest any small amount (starting from Rs. 50) at any time in the form physical cash given to shop keeper along with their NFC Chip.



Shopkeeper connects the tag to his/her smartphone's NFC(usually back of a smartphone)



3

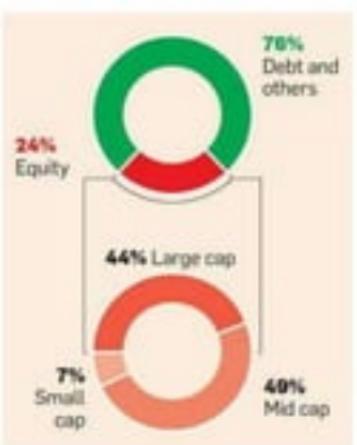
Shop Keeper then uploads the investment details in the BAJAJ finserv mobile app. A small receipt is generated after the transaction and a message is sent to the registered person(in the local language)



BLUE CHIP



LOW RISK LOW RETURN

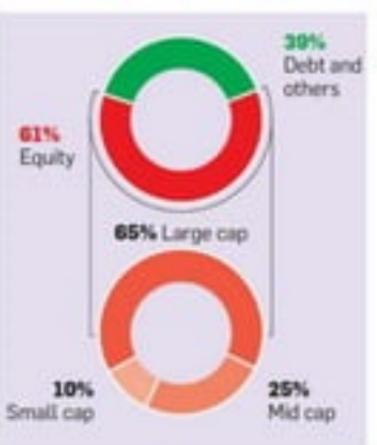


"Har roz Thodi Bachat"

WHITE CHIP



MEDIUM RISK MEDIUM RETURN

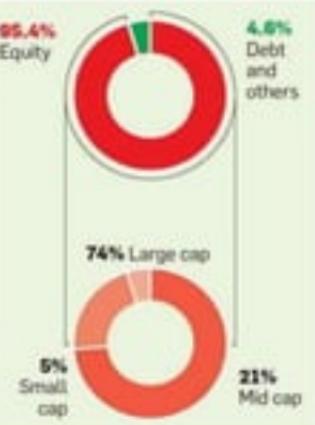


"Mere iraadon meh hai dum,
Bharosha Bajaj Finserv ka"

RED CHIP



HIGH RISK HIGH RETURN



"Aaj kuch bada karte hain"



KEY CHALLENGES



Challenge of Onboarding Retailers

The small retailers in villages will demand a payoff for facilitating the system



Convincing Customers

Villagers will be apprehensive about the higher returns that they are promised



Regulatory Permissions

There will be requirement of obtaining permission from the regulatory institutions

MITIGATION

- Retailer would be getting improved shop visits and increased transactions
- When people come to visit the shop to save their money, the retailers get customers & have an opportunity to cross-sell

- The villagers will be promised a minimum return on their investment

- The retailers are generally trusted by villagers and they would be instrumental in educating the villagers about the same

- Clearances from concerned regulatory institutions to be taken beforehand

- Necessary regular compliances will be met, as per the regulations

Advantages

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What's in it for Key Stakeholders

BAJAJ Finserv

- Broader Customer Base
- Wider Network Reach
- Tapping Untapped Markets
- Financial Literacy within target group

Retailer

- Additional Margin
- Diversification of Business
- Higher Footfall in Store
- Alternate Source of Income

Rural Customers

- Higher Returns
- Zero Commitment
- Convenience & Data Privacy

Bottom of Pyramid Impact

Creating Buying Power

- Access to Credit
- Income Generation

Buying power is created by giving the villagers an option to save money and be able to use it judiciously. Financial inclusion is guaranteed.

Improving Access

- Distribution Systems
- Communication Links



Tailoring Local Needs

- Targeted Product Development
- Bottom-up Innovation

Shaping Aspirations

- Consumer Education
- Sustainable Development

With these savings, the villagers get a chance to aspire for bigger goals and not be dependent on the unconventional lenders for any future planning

Providing an option to access this facility at their nearby retail shops and also transaction with peers are designed based on their needs & preferences

Implementation

Research and Insights

Approach and Scenario Planning

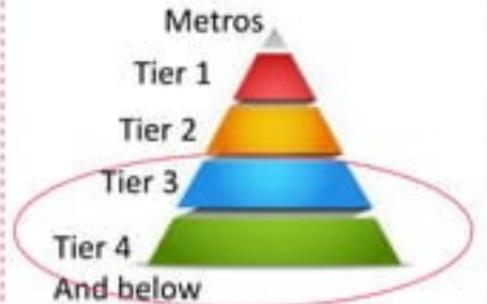
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Geographic Segmentation:



Target Regions:

TIER-3 TO TIER-6

centers as per RBI Classification

Target Group:



All chief Earners of Joint or Nuclear Families

Implementing



Which states to begin with?



- The states like Punjab (20%), Haryana (17%), Goa & Kerala (15% each) exhibit higher proportion households that reported any investment.
- Therefore, we begin with these two states in the initial years.

Time Line

Implementation Timeline

Please refer the following document for timeline →  Microsoft Excel Worksheet

1

Influencer Marketing

What?

Retailers (Influencers) should be reached out and educated by Sales teams.

Why?

Average customer would engage with retailer at least once a day. **Retailer has the most influencing capability** for the conversion

Result?

Opening accounts with Bajaj Finserv for retailers will create a **cascading effect** among villagers

Information Dissemination

What?

Outdoor wall paintings and Comic Pamphlets to bring in the awareness

Why?

Bringing in the **awareness** and educating the rural people is the biggest challenge

Result?

This removes skepticism from the mind of the consumer and brings in awareness

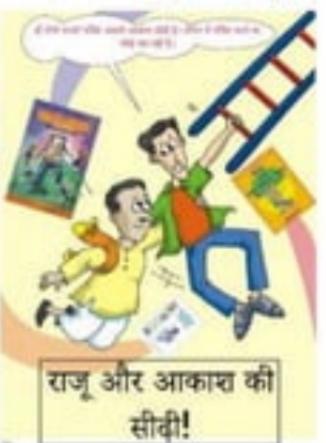
Outdoor wall paintings (to bring in awareness)



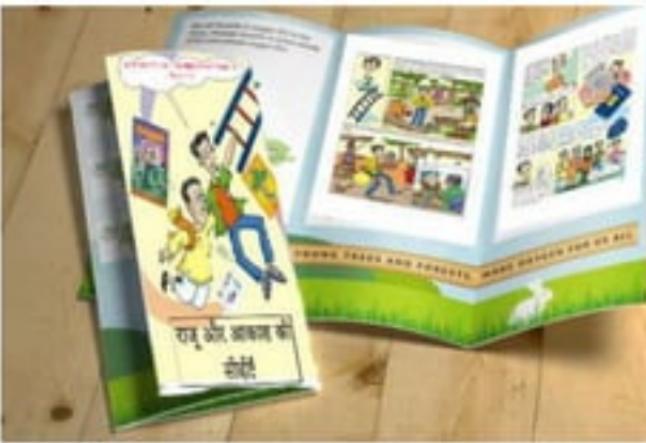
आओ मलिकर करे
नविंश उज्ज्वल
भविष्य के साथ



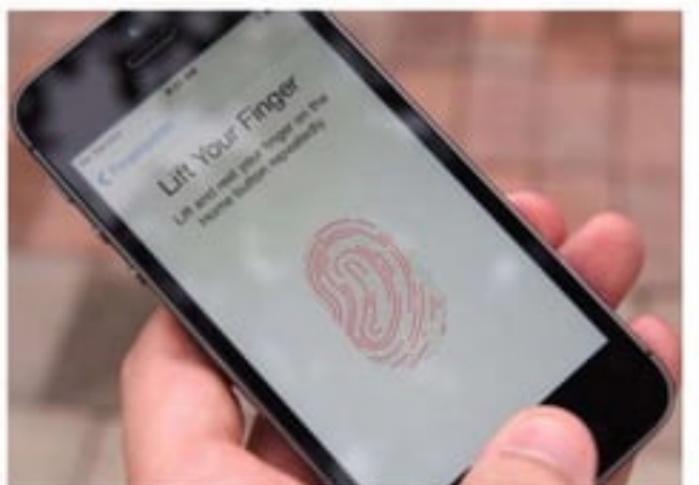
Comic Pamphlets (for Educating)



राजू और आकाश की
सीधी!



Integrating our idea with BAPU



In all the discourse about DBT and JAM until now, the focus was almost entirely on Aadhaar – the biometric identification of beneficiaries/individuals. But Aadhaar is only an identity authenticating system; it is not an eligibility authenticating system.

This year's Survey admits that JAM (Jan Dhan Yojana, Aadhar and mobile) may have made significant progress but still faces significant challenges. It elaborates on first-mile, middle-mile and last-mile issues that will need to be addressed

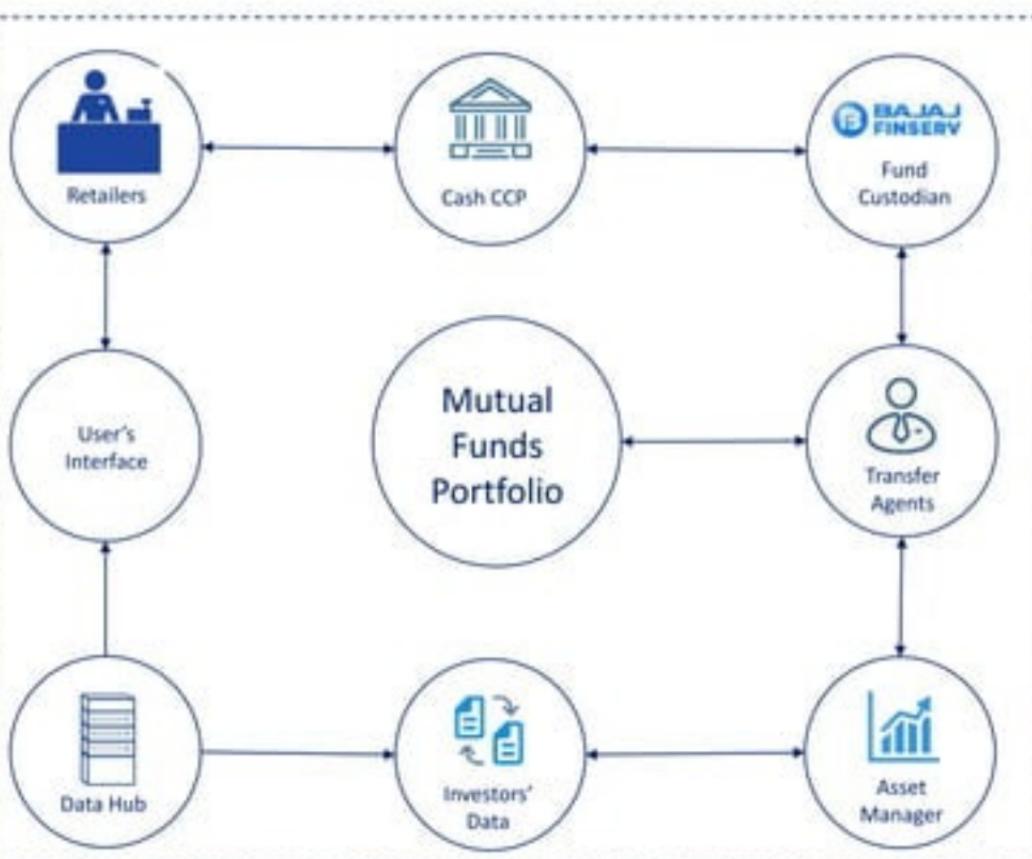
How do we integrate BAPU?

- Using the BAPU model, when a consumer comes for the first time, his/her profile is created by checking their government ID proof and taking their thumb impressions
- Thereafter for every subsequent transaction, their NFC verification will be their password/PIN. If required, this biometric proof can be verified using smart phone like many smart phone applications do
- Lack of ease of transactions can be addressed since every village has at least one retailer
- Reduces duplicacy effect

Future Prospects

Integrating our idea with Block chain

- The concept we are suggesting is not that different from bitcoin. It is in a way a **physical version of bitcoins with a major twist**. While in Bitcoins there is no underlying asset which determines value but only the speculation of the future of bitcoin itself, here the **Bajaj Chips** have an **Underlying asset in the form of Equity and Debt investments**.
- In a Nutshell , while providing the anonymity Feature of a Bitcoin, **combining with the Trust Worthy Aspect of the physical nature of the Asset** will solve the problem of financial Exclusion of the Masses and allow them to benefit with the Growth of Equity Markets in the country.
- A major challenge which we are Expecting is the misuse of the Anonymity feature which as meant for simplification for the masses but might be used as an Instrument for Tax Evasion. The Regulatory Framework with this aspect might also pose a challenge. This is the same **reason why Bitcoin has not yet been Made official** in many of the Countries across the globe.
- To Address this we can consider usage of **block chain** which **can create transparency with respect to the Ownership** of these assets as they are transferred. Block chain as is already known is a decentralized Peer to peer system which is known for its secure and transparent nature. **Combining our idea with Block chain and Aadhar can help us address the regulatory concerns**.



Pilot Study

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Village: Vadakkekara, Kerala

Tier: Tier 3



Population: 20,571

No. of Households: 5,138

No. of Chief Earners : 8,018

Conservative Assumption :

At least 10% of the chief wage earners convert in the initial 1 year.

Total Customers: $10\% * 8018 = 800$ **Retailers:** 2 (Assuming each handling 400)

Retailer Acquisition Cost

Activities	Cost (in INR)
Signing up, providing device & Training	10,000
Monitoring (Logistics)	2,000
TOTAL	12,000

Other fixed costs

Particulars	Cost (in INR)
Technology Development	70,000
SGA	50,000

Customer Acquisition Cost

Marketing Campaigns	Cost (in INR)
Wall paintings	12,000
Advertising in Haats	8,000
Influencer Marketing Cost	10,000
TOTAL	30,000

Remarks

- The cost of onboarding a retailer includes signing them up on our system, providing devices and training them for onboarding customers on the platform.
- The cost of acquiring a customer includes cost of marketing campaigns for spreading awareness about this scheme.

Business Impact

Pilot Study NPV

Particulars	%	
No. of HH in Rural India		1686,12,897
Target	10%	
Targetted HH		168,61,290
Conversion Rate	10%	
HHs Conversion		16,86,129
Average investment per HH in 2017 (Rs.)		60,529
Assuming 10% will be invested in our product		6,053
Number of days invested (@Rs.50/chip/day)		121
Considering a revolving period of 60 days		3,000
Amount to be received		50583,86,930
Margin (@ 2%)		1011,67,738

Year	0	1	2	3	4	5	'6-10
Initial Outflow(investment)	(42,000)						
Revenue		30,828	33,911	37,302	41,032	45,135	45,135
Less: Costs							
Retailer Margin @0.1% of amount received		1,541	1,696	1,865	2,052	2,257	2,257
Profit		29,287	32,215	35,437	38,980	42,879	42,879
Discounting factor @ 10%		0.909	0.826	0.751	0.683	0.621	2.354
PV of cash flows		26,624	26,624	26,624	26,624	26,624	1,00,927
NPV	1,92,048						

NPV Calculation



Year	0	1	2	3	4	5	'6-10
Initial Outflow(investment)	(1378,30,706)						
Revenue		1011,67,738	1112,84,512	1224,12,963	1346,54,260	1481,19,685	1481,19,685
Less: Costs							
Retailer Margin @0.1% of amount received		50,58,387	55,64,226	61,20,648	67,32,713	74,05,984	74,05,984
Employee costs		220,00,000	231,00,000	242,55,000	254,67,750	267,41,138	280,78,194
Annual Advertising expenses		164,08,417	172,28,838	180,90,280	189,94,794	199,44,534	209,41,761
EBIT		577,00,934	653,91,448	739,47,035	834,59,002	940,28,030	916,93,746
Less: Tax @ 30%		173,10,280	196,17,434	221,84,110	250,37,701	282,08,409	275,08,124
PAT		403,90,654	457,74,014	517,62,924	584,21,302	658,19,621	641,85,622
Discounting factor @ 10%		0.909	0.826	0.751	0.683	0.621	2.354
PV of cash flows		367,18,776	378,29,763	388,90,251	399,02,535	408,68,806	1510,78,856
NPV	2074,58,282						

Assumptions-

Revenue growth for 1-5 years -10% p.a
For 6-10 years -Constant
Discount factor -10%



Microsoft Excel Worksheet

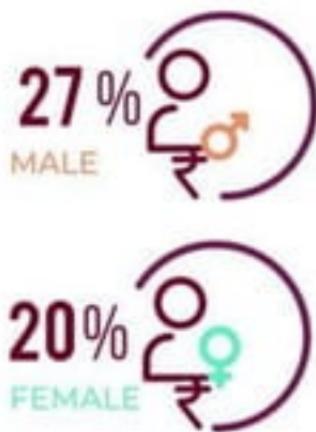
*Source(s):

Census 2011, NABARD Survey on financial inclusion, <https://www.growthpoint.info/adwords-benchmarks/>

ANNEXURE 1

Financial Literacy

Proportion exposed to information sessions on financial education



RBI Classification

Classification Population

Tier 1 -	1,00,000 and above
Tier 2 -	50,000 to 99,999
Tier 3 -	20,000 to 49,999
Tier 4 -	10,000 to 19,999
Tier 5 -	5,000 to 9,999
Tier 6 -	Less than 5000

Criteria for Retail Outlets

- Size of Outlet: Minimum 200 sq feet and must have a counter. There must be adequate room to attend to 5-6 customers at a time. This is essential to provide efficient and courteous service to the customers and at the same time attend to your regular business.
- Must have been in business for at least 5 years in order to be trustworthy for the customers to save their money

Following facilities will be provided to the new SP:

- Biometric Reader and Software for electronic thumb impression- Bajaj Finserv Property
- Application to update information
- Sign board with Bajaj Finserv logo with retailer shop registered name – Bajaj Finserv property
- Commission and Special incentives from Bajaj Finserv

THANK YOU!