India

Building an Infrastructure for a Truly Digital Economy and Financial Inclusion

BIIA Biennial Conference Bangkok, Thailand October 2017
The Numbers
India in Numbers

1.3B
Population of India, 18% of the total world population; 33% is urban

900M+
15+ Years of Age; median age is 27

260M+
Credit Active Consumers

1B
Mobile Phone Connections

10,000
Financial institutions: 240+ banks, 100 FinTechs; 500M+ bank accounts

1 of 2
Countries with Advanced Online Biometric Database
The market share for non-bank finance companies has increased to 48%.
Consumer Credit Growth Trajectory

Number of Consumers Present on the Credit Bureau Database

- **60** (Jan 2007)
- **79**
- **94**
- **97**
- **109**
- **139**
- **152**
- **177**
- **207**
- **247**
- **310** (Aug 2017)

Source: TransUnion CIBIL Consumer Credit Database

Slow pick up post credit squeeze in 2008

Robust growth led by focus on secured loans

Steady state growth with all product types displaying stable growth
Composition of New Accounts Opened

UPDATE AS OF 31 JUNE 2017

Source: TransUnion CIBIL Consumer Credit Database
Loan types not included in the graph above account for ~ 30% of all loans disbursed in a quarter.
Composition of New Accounts Opened

UPDATE AS OF 31 JUNE 2017 – excludes GOLD LOANS

Source: TransUnion CIBIL Consumer Credit Database

Loan types not included in the graph above account for ~ 60%+ of all loans disbursed in a quarter.
Consumer Credit Growth Trajectory

Defined by trajectory of **Demand** for retail loans

In millions

| Q207 | Q307 | Q407 | Q108 | Q208 | Q308 | Q408 | Q109 | Q209 | Q309 | Q409 | Q110 | Q210 | Q310 | Q410 | Q111 | Q211 | Q311 | Q411 | Q112 | Q212 | Q312 | Q412 | Q113 | Q213 | Q313 | Q413 | Q114 | Q214 | Q314 | Q414 | Q115 | Q215 | Q315 | Q415 | Q116 | Q216 | Q316 | Q416 | Q117 | Q217 | Q317 | Q417 |
|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------ |
Consumer Credit Growth Trajectory

Defined by trajectory of Supply for retail loans

Source: TransUnion CIBIL Consumer Credit Database

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NPA continues to be low with quality of new vintage of origination typically better or at par with previous originations.

Source: TransUnion CIBIL Consumer Credit Database

NOTE: NPA Rate measured by Outstanding Balance in 90+% (90 to 179) as of Snapshot Date for all loan types excluding Mortgage.

90+% for Housing Loans & Property Loans calculated at 90 to 900 DPD
Increasing Supply

Trended credit information and more robust analytics can increase access to credit for this population:

- **60M+** Individuals seeking credit every year
- **30M+** Number of individuals unable to get credit
- **1.5M** Number of individuals who had behavior similar to low risk

$10B+ in additional lending
But what about mass India?
Enabling 1B+ People
While virtually no one was looking, India created the largest open API in the world.
Building “Digital India”

pre-2009
Nearly ½ the population of India is undocumented

2010
Phase 1
The Aadhaar Act

2012
Phase 2
Mobile Infrastructure, eKYC

2014
Phase 3
Banking Adoption

2016
Phase 4
A New Payments System

2016
Phase 5
India Stack

2016
Phase 6
Demonitization

Source: www.Forbes.com
India’s Tech Revolution Has Already Left The West Behind -- It's The Best Investment Opportunity Now by John Mauldin, April 2017
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Adoption of Aadhaar

Aadhaar Numbers Issued

In thousands

- 2011: 100
- 2012: 210
- 2013: 510
- 2014: 720
- 2015: 930
- 2016: 1,100

62% CAGR

Authentications per Month

- Apr '16: 130
- May '16: 179
- June '16: 177
- July '16: 217
- Aug '16: 236
- Sept '16: 290
- Oct '16: 391
- Nov '16: 383
- Dec '16: 508
- Jan '17: 565
- Feb '17: 451
- Mar '17: 506


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Banking Adoption

Aadhar launched in 2010. Issued 1.1B+ Aadhaar in just seven years

Jan Dhan Yojana launched in August 2014 for comprehensive financial inclusion

Pradhan Mantri Jeevan Jyoti Bima Yojana was launched in 2015. Over 10M people enrolled in 1st month of launch

Pradhan Mantri MUDRA Yojana (PMMY) was launched in 2015, 39M+ accounts opened and $27B+ USD amount sanctioned

Since Inception

- 300M Bank Accounts opened
- 670B Cash Deposits
- 3.2B Overdraft

Guinness World Record

1.8M accounts opened in one week
The principle of JanDhan Aadhaar Mobile Trinity is that an individual’s Aadhaar number is linked to an active bank account for implementing cash transfers.

Scores helping the emerging consumer have access to credit

Leveraging Aadhaar biometric data to facilitate consumers having faster access to credit

- Name, Address, DOB, Gender, mobile/email
- All 10 fingerprints
- Iris scan
- Photograph

Developing mobile based solutions to reach wider audience

Mobile Subscribers 1B+

Jandhan bank a/c 300M+

Aadhaar Card 1.1B+
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India Stack

**Presenceless**
Where a universal biometric digital identity allows people to participate in any service from anywhere in the country.

**Paperless**
Where digital records move with an individual's digital identity, eliminating the need for massive amounts of paper collection and storage.

**Cashless**
Where a single interface to all the country's bank accounts and wallets enable the democratization of payments.

**Consent**
Which allows data to move freely and securely; on demand.
What is the Impact?

**People**
Empowers all citizens to be “seen” and participate in the formal economy

**Technology**
Provides a robust technology infrastructure that creates parity, reduces costs and drives innovation

**Institutions**
Enables faster, more efficient and more accurate decision making in both public and private sectors
The Experience
The Problem:

- 2+ days to open an account
- Physical verification required
## The Solution

<table>
<thead>
<tr>
<th>MOBILE APPLICATION</th>
<th>IDENTITY VERIFICATION</th>
<th>DATA ACCESS &amp; UNDERWRITING</th>
<th>OFFER OPTIMIZATION</th>
<th>FINALIZATION &amp; DISBURSEMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tablet-enabled application with pre-fill capabilities to <strong>accelerate</strong> the process and <strong>improve data quality</strong></td>
<td>Biometric, one-time-password, geotagging and KYC solutions to verify the consumer’s identity <strong>quickly</strong> and <strong>seamlessly</strong></td>
<td>Leveraged credit and non-credit data processed through a real-time decision engine to deliver an <strong>instant credit assessment</strong></td>
<td>Interactive experience enables <strong>on-the-fly</strong> offer refinement and adjustments within pre-set thresholds</td>
<td>Image upload, e-signature, document generation and integration to fulfillment systems resulting in an <strong>end-to-end solution</strong></td>
</tr>
</tbody>
</table>
The Results:

- 30% fewer manual reviews
- >80% reduction in processing time
- Instant loan approvals in 15 minutes
The Future
What Now?

Data Poor to Data Rich
interactions, transactions, and data exchanged in this ecosystem will make India “data rich”

Continued Innovation
standardization and easier execution, while adhering to all necessary regulations will promote aggressive Innovation

Empowerment
will “Unlock Fortune” at the Bottom of the Pyramid, which constitutes more than 900M Indians

Opportunity Creation
opportunity for volume-based and profitable businesses leveraging digital technology

Universal Participation
digital economy will boost participation in formal sector and help GDP growth

Opportunity Creation

Data Poor to Data Rich

Continued Innovation

Empowerment

Universal Participation
The Bank; Re-imagined

Faceless

Data Driven

Advanced Algorithms

Paperless
The Lessons
“The right to privacy is protected as an intrinsic part of the right to life and personal liberty under Article 21 and as a part of the freedoms guaranteed by Part III of the Constitution”
Key Takeaways

01 Invest in the Core

02 Challenge the Status Quo

03 Become Insights Rich

04 Focus on the Customer Journey
The story of the digitization of India is, if nothing else, both inspiring and impressive. It is a testament to what is possible when a bold, clear vision is delivered with near-flawless execution.

Find your breakthrough
Do something big
Execute