

FINO Pay Tech — A Path towards Financial Inclusion



Financial Information Network & Operations Ltd.

Bharti Chhabra (Rana)¹, Neha Jain²
^{1,2}Department of Management, JIMS, INDIA

ABSTRACT

The Indian growth story has been showing tremendous change with Financial Inclusion, providing financial services and facilities to low income group and unbanked section of the society. With the help of business Correspondents like FINO Pay Tech, armed with latest technology, provide convenience and affordability of banking services to the door step of rural households. The period in between 2006 to 2016 led many developments in the financial inclusion with FINO as business correspondent. The most considerable achievement is to change the mindset of rural people. It is because of the latest technologies and business models, the economic system is gradually undergoing a change and FINO is at the cusp of this paradigm shift. From a biometric smart card based technology player to a mobile first-based model, FINO would be transforming itself to meet and fulfill the financial services needs of its customers. This paper is a study on FINO Paytech Ltd. It tries to throw some light on the business model of FINO and its contribution towards financial inclusion.

Keywords— Business Correspondent, Financial Inclusion, FINO, Rural financial literacy

weaker section of society in a transparent manner by finance leading institutes of the country. According to the Committee for Financial Inclusion, India (2008) “Financial Inclusion is the process of ensuring access to financial services and timely, adequate credit where needed, to vulnerable groups such as weaker sections and low income groups, at an affordable cost”. Financial Inclusion is the result of Khan Committee 2004 and its recommendations were incorporated from 2005-2006. RBI also ordered banks to make available ‘no frills account’ either with no balance or negligible balance. The main aim of financial inclusion is to develop the quality and accessibility of financial services and products to the unbanked, under-banked and financially excluded.

According to Jonathan (2007), rural requirements are very different due to small and uneducated population as compared to urban economic system. A mechanism is needed to provide basic information about financial and other services to rural public. Therefore, Financial Inclusion is getting importance, mainly because of three basic reasons.

Firstly, the low income group and financially illiterates are usually dependent on informal channels of credit like moneylenders, who usually charge high rate of interest for a short span of time. Financial Inclusion makes the availability of adequate credit with reasonable rate of interest through formal banking channels which will also enhance the entrepreneurial spirit.

Secondly, the bureaucrats and corrupted politicians are having control over subsidies or any kind of welfare programmes, consequently, the money meant for poor people does not reach them. Therefore, Government is planning direct bank transfers to these intended parties through bank accounts. Lastly, it will also inculcate the habit to save money in poor people who are always under

I. INTRODUCTION

Even after 60 years of Independence, people living in rural areas are deprived and destitute to get necessary financial services. This melancholy has created financial instability and dissatisfaction among a large section of Indian population who are still unbanked. To overcome these tribulations, Financial Inclusion comes into the picture.

Financial Inclusion is the process to deliver an extensive range of affordable financial products and services at reasonable costs to various unprivileged and

the constant shadow of financial duress. The central bank of India i.e. Reserve bank of India is taking important steps in support of financial inclusion like:

No frills Account: These accounts are affordable accounts by cutting down extra cost which are of no use to lower section of the society. These accounts are low cost approach to use banking facility. KYC (Know Your Customers) norms are also relaxed by RBI for easy accessibility of these accounts.

Electronic Banking Transfer: The money meant for poor people does not reach them because of the presence of bureaucrats and corrupted politicians. Therefore, Government is planning direct bank transfers to the rural public through bank accounts. This form of electronic transfer will also save the government cost of transfer and monitoring.

Services through business correspondents: The banks and the financial institutions have started to use the facilities provided by business correspondents for those areas where bank branches or services are still not reachable. These business correspondents, armed with latest technology, provide easy accessibility and affordability of banking services to the door step of rural households.

II. METHODOLOGY

OBJECTIVES OF THE STUDY

1. To understand the term financial inclusion and the role of business correspondents for its upliftment.
2. To be able to comprehend various services offered by FINO Paytech Ltd. for the rural development.
3. To find and evaluate the working model of FINO.
4. To find the contribution of FINO towards financial inclusion in India.

RESEARCH METHODOLOGY

The study aims to understand the role of financial inclusion and its business correspondent like FINO pay tech pvt ltd, for ensuring availability of adequate credit with reasonable rate of interest through formal banking channels which will also enhance the entrepreneurial spirit in rural areas. Also an attempt has been made to identify the various services and schemes offered by FINO to the door step of rural households.

This study is based on Indian unstable circumstances and new possibility of hopes makes this study, really momentous. In India, financial inclusion has assumed greater significance in recent years due to the complications of financial markets and inaccessibility of rural public.

FINO pay tech ltd is providing the solution to the banks and the financial institutions for those areas where bank branches or services are still not reachable.

The design of research study is exploratory. Data is collected primarily through secondary sources such as

research papers, magazines, journals; newspapers etc. different websites are also being studied to gather the required data.

III. ORGANIZATION

FINO Pay Tech Limited (Financial Inclusion Network & Operations Ltd) is one of the latest and renowned business correspondents for financial inclusion solution. The company is promoted and owned by 24 Public and Private sector banks including the ICICI Bank(19%), and insurance companies like the Life Insurance Corporation of India(8%), ICICI Lombard and ICICI Prudential. It is also promoted by the International Finance Corporation (15%) and a few Indian public sector banks (22% together) in India.

FINO Pay Tech Limited's foundation was laid down in the year 2006 headquartered in Mumbai with offices across India. Mr. Manish Khera is the man behind FINO Pay tech Ltd. Presently Mr Rishi Gupta is acting as Chief Executive officer, Managing Director and Director). It is an Indian financial inclusion solution and service company providing a business and banking technology

platform to fulfill customers all financial service needs. ICICI Bank acted as a promoter in setting up of FINO to fill a gap in the banking software market.



The microfinance institution decided to create its own software solutions that run on standard

hardware to bring millions of poor Indians into the banking net.

Today FINO PayTech, with its systematic and technological services is playing an important role in developing branchless banking infrastructure in India. As of now, they have acquired 100 million customers: 45 million on the banking side and 55 million of onetime acquisition that they have done on behalf of others like insurance companies. Out of the 45 million, roughly 25 million are active; serving them will be the focus.

FINO has disbursed more than 1000 Crore to more than 6 lakh rural poor in Maharashtra, UP, Bihar. Amongst its financial services, it provides access to a range of payment services to rural customers that include banking, international transfer of funds facility, utility bill payments facility through Bill Desk, micro insurance, mobile/DTH recharges, and assisted ecommerce in partnership with Snapdeal.

FINO Pay Tech has over 2500 employees in 400 branches of which 250 are in urban centers and 150 in rural centers. It is providing remittance service of Rs 300

crore per month across 26 states. The company delivers financial products and services including banking, insurance and remittances to rural as well as urban areas through its Business Correspondents who are mostly the local people appointed by them. Its main areas of operation is to provide branch-less banking and insurance infrastructure, and supporting government schemes through its technology and agent network. These correspondents are equipped with GPRS enabled hand-held biometric instruments that reads the Smart Card information with the clients and therefore the financial transactions are done in an easy, accessible and cheap way.

The company has been serving its client companies through invention, innovation and implementation of integrated biometric or smart card technology for various institutions such as banks, microfinance institutions, governmental organizations, insurance companies to enable financially inclusive environment for the customers especially in rural areas.

The company has tie-ups with 10 banks, 20 microfinance institutions and three insurance companies for providing smartcards to rural customers and to the unbanked population in urban areas. The financial institutions include Corporation Bank, Union Bank of India, Punjab National Bank, Sewa Bank, ICICI Bank, ICICI Lombard, ICICI Prudential, Axis Bank, ING Vyasya Bank and Life Insurance Corporation of India.

Vision

To be the universally preferred choice of customers fulfilling all financial service needs

Mission

The institution commits to bring transformational difference internationally by:

Introducing a variety of channels to meet the needs of unserved and underserved retail customers for various financial products and services

Providing a cooperative work environment to the diverse workforce that promotes innovation

Maintaining sustainable, cooperative and strategic partnerships to cultivate a global environment

SERVICES OFFERED BY FINO

Financial literacy: FINO Pay tech has partnered with various organizations such as World Bank, International Finance corporation, NABARD and UNDP to reveal various financial literacy programs on field. The programs lay emphasis on imparting on money management practices for planning, spending and saving through various tools.

Consultancy services: FINO as a branchless banking through its business consultants helps in designing of financial products, and branchless and micro-banking delivery channels to get new people under the field of financial inclusion. It is also connected with various international entities across the globe through its consultancy, FINO Pay Tech Consultancy Services (FCS).

The firm has been providing consultancy to all types of financial organizations as well as governments.

Corporate social responsibility: The Company has been focusing on the rural sector, specifically, and carrying on multiple tasks on dispersal of Financial Information in this sector. It also plays a significant role in implementing the CSR strategies of its numerous clients such as ICICI Bank, ICICI Lombard, Dena Bank and others.

BUSINESS PARTNERS

FINO Pay Tech over the years has built a trusted, strong and secure, branchless banking channel for clients who offer varied financial products and services to the unbanked customers across globe.

For their banking clients, they offer a variety of channels together with a technology platform that helps acquiring and serving of customers any time. It helps in two ways. First offering value to the customer and secondly providing opportunity to banks to cater to a larger population.

BANKING: FINO Pay Tech offers revolutionary technology solutions to improve the operational effectiveness of social benefit schemes such as MGNREGs, SSPetc through its business correspondents. The advantages are transferred through the electronic benefit transfer (EBT) scheme which is part of the overall Financial Inclusion Plan (FIP) where a bank account is required to provide whole range of permissible banking services.

It also offers its technology right from enrolment of beneficiaries, issuance of biometric smart card to payment of wages. It also provides scheme-specific solutions to various stakeholders.

GOVERNMENT: The financial institution also offers services for Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGs). This was FINO's first step towards working with government. In certain states FINO PayTech's technology of using bio metric validation has been adopted to deliver social security schemes to the citizens resulting in substantial savings in terms of resources for the government.

INSURANCE: FINO PayTech's technological solution has helped health micro-insurance sector in India by enabling insurance companies to penetrate to customers at the bottom of the pyramid and serve their needs, while maintaining financial viability. Their delivery system helps in covering wider geographical area.

It facilitates the standardization of the delivery policy, back-end database management system and data



maintenance format. It helps in overcoming the problems faced by the government that were inundated by design and implementation problems.

RSBY (Rashtriya Swasthya Bima Yojana) is a cashless national health insurance welfare scheme started by the government of India with the objective of providing protection to BPL households from financial liabilities arising out of health setbacks involving hospitalization.

TECHNOLOGY: FINO PayTech has been a prominent player in making, designing and developing technologies for the rural market since its introduction. They have developed technology solutions which are robust, low cost and can be altered as per requirements of the client and industry. FINO PayTech's solution helps in distribution of financial services in faraway locations with minimum connectivity and infrastructure.

Customers can carry out their need for financial services in the field through multiple media such as ATM and/or mobile. According to the facility available these services can be bought in mainstream banking. Behind these financial services there is a Terminal Management System that helps in issuance/blocking/application updating of POS devices.

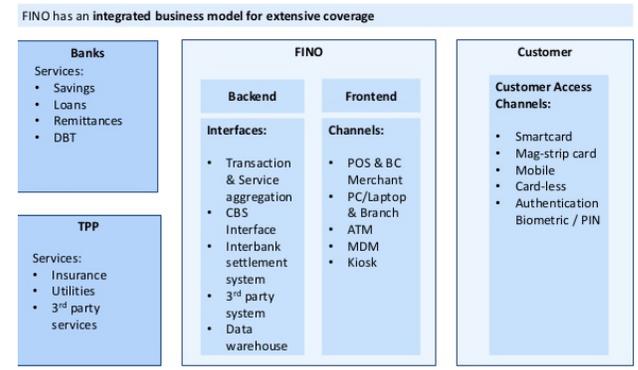
All the systems introduced by FINO are a result of the field experience that is gained over the past years in tough and isolated locations. These systems manage in providing services that are very relevant to entities operating in this sector.

INTERNATIONAL BUSINESS: FINO Pay Tech has been a leader in developing and introducing micro payment solutions that enable access to financial services to millions in areas which had not heard of banking. Over the years FINO has been able to understand various challenges faced in rural area markets to implement banking services such as lack of connectivity due to lack of mobile network, disrupted or no electricity supply, difficult to access due to difficult terrain and socio-economic challenges, such as illiteracy and absence of regular sustained income. With the help of its International Business Division (IBD) company also helps other developing economies by sharing its expertise in creating an effective branchless banking infrastructure with partner banks in such countries which are facing financial exclusion challenges. Currently Nepal, Bangladesh, Nigeria, Tanzania and Mexico are enjoying benefits from their tech enabled, branchless banking solutions.

IV. FINO'S INCLUSIVE BUSINESS MODEL

FINO Pay tech Ltd. provides a banking and payments system that makes use of smart cards and agent operated mobile point-of-transaction terminals to expedite reliable, low-cost financial transactions between institutions and customers. This system helps in resolving various issues which financial institutions face such as

while they are serving low-income customers in particular, having various socio economic problems including illiteracy, information asymmetry, insufficient infrastructure, lack of security, and high cost in comparison to transaction size. The system helps users to see through these barriers to achieve financial sustainability and enables to serve under-banked population.



FINO Paytech Ltd.'s carries out the system with the help of components such as:

Accounting and MIS systems: Back-end processing systems that FINO Paytech Ltd. builds and maintains to facilitate and helps in tracking transactions at the financial institution

Point-of-transaction terminals: Hand-held mobile devices that enables FINO Paytech Ltd. agents and their customers use to conduct transactions such as deposits, loans, and payments etc.

Biometric smart cards: These are authentication devices carried by customers and agents alike to ensure transactions are secure on both sides; each card carries fingerprints, demographic and financial relationship information on a chip and a photograph with cardholder details on the face of the card. For example, in the savings account product, the smart card enables people to check balances, transfer funds, make deposits, and withdraw cash. The smart cards can also be used to access services such as subsidies, payments, or credit as well as health, life, and weather insurance.

FINO Pay tech Ltd. generally charges the financial institution ongoing rental fees for space on their back-end system and for point-of-transaction terminals, annual maintenance fees for the terminals, and new card issuance fees. Some institutions may opt to buy point-of-transaction terminals as well. Customers do not have to pay for any services except for the remittance product—for which they pay 20 rupees, less than \$.50, directly to FINO Paytech Ltd. in exchange for remitting up to 10,000 rupees in a single transaction.

Currently, FINO Pay tech Ltd.'s revenues are driven by one-time fees such as enrollment charges and sales of point-of-transaction terminals.

FINO WORKING STATUS

FINO has tied up with Reliance commercial finance on 25 February, 2016. Through this alliance, FINO is planning to launch its payment bank operations. It will provide credit to rural public in the states of Madhya Pradesh and Maharashtra in association with Reliance Commercial Finance. Reliance Commercial Finance, a division of Reliance Capital Ltd., will grant loans for disbursement through FINO Fintech Foundation, an associate company of FINO Pay Tech.

The partnership has already disbursed more than Rs 2.5 crore in the last couple of months and proposes to increase this up by disbursing around Rs 500 crore to 2.5 lakh customers by March 2017, covering 50 districts or 3,000 rural areas in the two mandated states.

FINO also has partnered with Tata Communications Payment Solutions Limited (TCPSL) in June 2015. TCPSL has white label ATM network in the whole country with the name of Indicash™. Both the companies have mutual goal of Financial Inclusion by setting up more ATM facilities and providing financial and value added services in unbanked geographies.

FINO Money Mart outlets offer a variety of banking and payment services such as utility bill payments, domestic remittance, cash management services, travel bookings, international remittance, mobile/DTH recharge, online shopping and Aadhaar Kendra Services to its customers in underbanked locations. Through this exclusive partnership, Indicash™ ATM locations have FINO Money Mart points, similarly FINO Money Mart outlet have Indicash™ ATMs. It provides benefit of ATM and FINO Money Mart services altogether



in states like Maharashtra, Uttar Pradesh, Andhra Pradesh, Tamil Nadu, Delhi, Gujarat, Haryana and Karnataka.

FINO PayTech started microfinance operations in 2009 and providing services to more than 6 lakh customers across MP, Bihar, Maharashtra, UP and Karnataka. Under Joint Liability Group Model, it provided loans to 1.25 lakh women clients in 2015 through its network of 46 branches across 29 districts in the state. The company plans to reach out and provide microfinance to a huge segment of state's population (74%) residing in rural areas.

FINO also disbursed around Rs 200 crore to women customers who used the loan for income generating purposes like selling farm products, goat/cattle rearing and managing small businesses. Other than these

operating states FINO disbursed over Rs 700 crore since 2009 with a total outstanding of Rs300 crores.

FINO PayTech has flagged off an initiative in 2014 that brings ecommerce closer to people with no access to Internet. In a first-of-its kind association with Snapdeal.com, the company has launched, e-commerce

centres in semi-urban, rural and low income residential areas across 65 cities and over 70,000 areas. With its extensive network, FINO would provide access to a variety of over 1000 Snapdeal.com products to the people of these areas. Some of the locations that provide assisted ecommerce service include Shivajinagar, Pune, Dharavi (Asia's Largest Slum), Varanasi, Gurgaon, Hyderabad Valsad (Gujarat) Urban Villages of Noida and Jaipur.

Through this assisted e-commerce model powered by FINO Pay Tech network, people would be able to purchase and access utility cum aspirational products offered by Snapdeal.com, for e.g. Juicers, Solar Lanterns, Speakers, Diner Sets, Camera and Mobile Phones. These products offer a high value proposal that require login by FINO agent, who would place an order, collect payment, receive and deliver to people who have no permanent address.

FINO PAYMENT BANK

In August 2015, the Reserve Bank of India (RBI) had given approvals to 11 applicants, including Fino Pay Tech, to set up payments banks. It has 18 months to set up its respective payments bank, which would then receive a license from the regulator. Under this, it is mandatory to have 51% of the equity from the domestic entities but 70% of its stake are from foreign entities. Among foreign shareholders, Blackstone owns about 20 per cent in the company, while, World Bank's International Finance Corporation (IFC), Intel Capital, Headland Capital Partners hold 15 per cent each. It is planning to raise the capital from private equity and other strategic investors, which will help in bringing down foreign shareholding.

RESOURCES OF FINO PAYTECH LTD.

FINO is among the 33 organisations listed in advocacy group microfinance- India's directory of business correspondents, or agents contracted by banks to take doorstep banking to the people who cannot access the banking system.

For the year 2012/13, the company had enrolled 40 million people for savings accounts, giving it a market share of about 60 per cent. As an organization, FINO carries out more than 2.5 million transactions every month. In 2014-15, the firm executed 4.4 million domestic

remittance transactions, worth about Rs.1, 650 crore and it is growing 25% a year. The company has a constructive cash inflow and earning revenue of Rs.300 crore in fiscal 2015.

AWARDS AND RECOGNITION

As a growing financial inclusion solutions and services company, FINO Pay tech Ltd. has received various awards and recognition since it was incorporated.

In the year 2013 it was awarded with TA Leadership League Awards 2013, People Matters, an important information and media platform in Human Resource, organized this award in which FINO stood second position in "Best in Technology and Talent Analytics Award" category.

Also in the same year it was given CFO 100 Roll of Honour Award 2013, 'Winning Edge' title was awarded in Raising Capital/Fund Management category (revenues below Rs 1000 crore)

In the year 2012, "Outstanding Start-up" award has been awarded to FINO Pay Tech in Forbes India Leadership Awards. This recommendation was based on the company's vision towards setting up the biggest business correspondent network in India and bringing financial inclusion to millions of unbanked population across 26 states. The award is meant to distinguish revolutionary enterprises which has shown an exceptional ability to carve out a unique niche for itself within the first five years of its establishment and also developed a strong, sustainable platform for growth that includes its effective leadership, advance business model and innovative competence.

In the year 2011, FINO also awarded as "Best rural upliftment initiative using IT" award at the Bloomberg UTV CXO Awards 2011.

The CEO of FINO was awarded with Young Global Leader Award by World Economic Forum.

FINO has been awarded in the Growth Enterprise Category for its technological innovation in execution of RSBY (RashtriyaSwasthyaBimaYojana) programme and financial inclusion growth by Sankalp – Intelicap Forum. FINO has also been awarded by Skoch Foundation, providing a diverse bouquet of financial products and services of various banks and insurance companies at the door-step of micro customers.

FUTURE-ROAD AHEAD

FINO has been functioning in the domain of financial inclusion for many years and the aim is to attain the unbanked and the under-banked consumers. Till date FINO is handling the clientele of Banks and Government but now, FINO pay tech has to transform into a bank 'Fino Payments Bank', which plans to start operations in 2016. It will be a transformational journey for FINO to develop. For FINO Payment bank, the minimum capital constraint is Rs 100 crore of net worth which the bank has to retain at any point of time. But according to total spending, and the time to break even, it will start the bank with Rs 500 crore.

So, FINO is looking to raise about Rs 400 crore to Rs 500 crore. It has a big challenge to move the customers from traditional banking to its payment bank.

FINO has already established rural network which will give direct competition to the public sector banks in rural areas. It can also start offering deposits with 6 to 7% interest rate to lure customer are backed by adequate capital, digital platforms, zero legacy issues, and low-cost innovative and convenient services, will compete heavily for liabilities in rural and semi-urban areas with traditional banking structure.

FINO is once again positioned to change banking structure. The period in between 2006 to 2016 led many developments in the financial inclusion with FINO as business correspondent. The most significant achievement is to change the mindset of rural public. It is because of the emerging technologies and business models, the ecosystem is gradually undergoing a change and FINO is at the cusp of this paradigm shift. From a biometric smart card based technology player to a mobile first-based model, FINO would be transforming itself to meet and fulfill the financial services needs of its customers.

V. CONCLUSION

In developing countries like India, there is poor penetration of financial products specifically in the rural areas. Only 9% population has access to credit Business correspondent model can acts as an alternative in the rural areas for financial inclusion. Business correspondent have a key feature of low costs because of absence of physical infrastructure.

FINO is taking advantage of this business model. It is providing solution in the form of product loans, payment products, remittance products and insurance. It is creating trustworthiness for itself amongst its customers because the transactions are not carried out by the traditional banks. RBI also allows it to charge higher rate of interest on services provided by them, it would be still less than what is charged by money lenders. Also in our country people are ignorant on the subject of financial inclusion and financial literacy. If FINO is able to make simple products it would be able to tap the potential market of unbanked. It will also be able to make the contributions as a part of the financial system and help in the growth of the country.

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ANNEXURE

FINANCIAL SERVICES

Finopaytech plans to sell own products, focus on retail business

By Anirban Basu

Finopaytech, a joint venture between ICICI Bank and Finomark, has decided to sell its own products and focus on retail business, according to a senior executive. The move is expected to be completed by the end of the year, he said.

The company has been developing its own products, including a mobile app for payments and a digital wallet. However, the company has decided to sell these products to other players in the market, such as ICICI Bank and Finomark. This move is expected to help the company focus on its core retail business, which includes providing digital payments and financial services to customers.

The company has also been working on expanding its retail business, particularly in the areas of digital payments and financial services. This includes providing digital payments and financial services to customers through its mobile app and digital wallet. The company has also been working on expanding its retail business, particularly in the areas of digital payments and financial services.

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Payments Banks by RIL, Airtel, Vodafone soon

RBI grants in principle approval to 11 Applicants for Payments Banks

The Reserve Bank of India (RBI) has granted in principle approval to 11 applicants for setting up payments banks. The applicants are: Airtel Payments Bank, Vodafone Payments Bank, Reliance Payments Bank, and others.

The RBI has also granted approval to 11 other applicants for setting up payments banks. The applicants are: Airtel Payments Bank, Vodafone Payments Bank, Reliance Payments Bank, and others.

RBI issues 11 bank licences; sheds its decades-long reluctance allowing corporates to enter the banking space

The Reserve Bank of India (RBI) has issued 11 licences to set up payments banks, marking a significant shift in its long-standing policy of restricting banking services to traditional banks. The licences are granted to Airtel Payments Bank, Vodafone Payments Bank, Reliance Payments Bank, and others.

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