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# CONFERENCE REPORT



# 2<sup>ND</sup> INDIA BANKING REFORMS CONCLAVE 2017

14<sup>TH</sup> JULY, 2017  
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# Reforms meaningful only if understood in proper perspective: Mundra

**R**eserve Bank of India deputy governor SS Mundra said that as far as India becoming a cash-less society is concerned, it is “nowhere near the table”.

Mundra said Sweden is the only

country in the world which has completely become a cash-less economy. “In order to become a less-cash society you have to be very clear that what kind of goals are being set. It needs right goals, strategy and right way of implementation. If the goal itself is mistaken, then

the strategy would not be correct,” he said.

He said that there is a need to understand why cash is so addictive and entrenched. He said that there are two features of cash which makes it strong— anonymity and ease of transaction. “As

far as the first feature is concerned, we have to understand the importance of strategy. As the interconnectivity in the system enhances and you get more connected, the need of anonymity will progressively come down. There can be some unintended consequences of losing the anonymity,” the deputy governor said.

“During the first edition of India Banking Reforms Conclave, I had stressed that banking reforms is the journey and not the destination because the system around us is so dynamic and constantly changing that reforms would keep on coming and one can’t say that this is the point where we do not need further reforms. As regulator of the sector, Reserve Bank of India plays a key role in this reform process. But, as is natural with change initiatives, sometimes the stakeholders may fail to appreciate the full import of the intended changes and even get misled by the uninformed or at times motivated interpretations,” he said.

Mundra said that he intends to focus on some changes initiated by RBI and clarify some interpretations and also dwell briefly on expected customer behaviour in such situations.

### **Prompt Corrective Action (PCA) Framework**

“One of the areas which is widely debated in the recent past is about prompt corrective action (PCA) framework of RBI. Let me begin by highlighting recent revision of PCA framework as an episode with some section of media tried to present it in a distorted manner. RBI came across multiple misinformed communications circulating in some sections of media, including social media, after the revised guidelines were issued on April 13, 2017. Some of these campaigns appeared ill-motivated and led to creating panic among the public. Earlier, the situation would have been different, but today in the era of social media it has become an

entirely different thing. While the social media has proved useful to disseminate right kind of information, it is also vulnerable to the vested interests spreading misinformation,” he said.

The deputy governor gave an example of a television report that was factually wrong. “Recently, I came across a report on a news channel in which an anchor was commenting on the asset quality and PCA. The anchor, in his report, said that India’s GDP is ₹144 lakh crore and lending from banking system is ₹70 lakh

## **CYBER ATTACKS HAVE ACQUIRED UNPRECEDENTED SCALE VARIETIES AND COMPLEXITIES. BANKS HAVE ADOPTED BEST TECHNOLOGIES FOR SECURING THEIR NETWORKS**

crore, out of which ₹13 lakh crore is bad loans which is on the verge of being lost. Let me bring in some reality in this particular case. The level of gross NPA in the banking system is around seven lakh crore rupees. ₹13 lakh crore would include restructured assets and also loans that may potentially be stressed. But certainly, if a loan becomes non-performing, it does not mean that it is lost to the system and cannot turn around or become productive. So, this is a case of creating an overhype. Any account becoming NPA does not mean they are going to disappear and would never be recovered. The amount of ₹6 lakh crore is lent out to 10 companies is not factual. These may be exposures to certain groups. All industrial conglomerates have several entities within their group, including special purpose vehicles. It is too ad hoc to assume that all entities in such a group are under stress and all of them would simultaneously default. Also, RBI is a regulator of financial sector and is in no way connected to the lending decisions of the

banks as being speculated by the anchor in the news video, he said.

### **Farm loan waiver**

Mundra said the presumption around losses to the banks on account of farm loan waiver is incorrect. “Farm loan waiver is the decision of respective state governments and still entails repayment of individual loans to the banks. It is not that the banks are debiting their P&L and waiving the loans. Only the liability in such cases would transfer from indi-

vidual farmers to the state exchequer. Reservations expressed by the RBI on the farm loan waiver by states are driven by entirely different considerations,” he said.

### **Responsibility of the bank customers**

“In the digital era, transactions have moved from physical to a virtual world and from banks’ premises to the customers’ doorsteps, but this also means that the degree of control which banks could exercise over their customer behaviour in past has undergone a fundamental shift. It can’t happen in the same fashion today. Progress in technology has enabled consumers to transact conveniently at a place and time of their choice. However, consumers are barely aware about what goes behind the channel which he is using. Cyber attacks have acquired unprecedented scale varieties and complexities. Banks have adopted best technologies for securing their network. However, even cars with all the latest safety features need well trained drivers,” he said. ■

# “Government bearing farm loan waiver burden”



**Deepak Kesarkar**, Minister of State, Finance, Planning, and Home (Rural), Maharashtra

**M**inister of state, Finance, Planning, and Home (Rural), Maharashtra, Deepak Kesarkar said the state finance department is not much directly related to the banking system in India because it is governed by the central government's finance ministry.

The minister said that Maharashtra is one of the states where every district has got its cyber lab to help people. “One will have to work in coordination with the home department to see how cyber crime has come down in Maharashtra. When we are switching to the digital platform, we have to be very cautious,” he said.

“The role of banks has become much

**LOAN WAIVER IS NOT PUTTING ANY BURDEN ON THE BANKING SYSTEM. BUT IT IS THE GOVERNMENT WHICH IS BEARING THE BURDEN AND IT HAS ALL THE RESOURCES**

more important than ever because the prime minister wants to provide banking services to the last mile. We should remember the days when the world economy was collapsing and the Indian

economy managed to sustain only because of the RBI. We have a very strong banking system. Our only concern is how to reach to the last person of the country. It can be done through technology. India is a huge country and has its own set of problems. When the government came to power in 2014, it was because of the strong will of prime minister Narendra Modi that the banking services reached the masses. Governance plays a major role in everything. Even, Aadhaar was very much there in the previous government, but linking it with all other schemes and taking benefits to the people is something new to this country,” he said.

“Earlier, I was minister of rural development department as well. Around 20,000 out of 27,000 villages had internet connections in Maharashtra,” he said.

He also talked about the farmer loan waiver issue. The minister said that loan waiver is not putting any burden on the banking system, as it is the government which is bearing the burden and it has all the resources. It will overcome that burden. But I would say that our banking system is different from other countries where we are paying interest to the depositors, he stated.

“A farmer will never be a defaulter unless he faces certain tough conditions like low rainfall, then only he becomes a defaulter. Banks are not concentrating on that part and concentrating on regular customers, which need to be changed. Earlier, only district cooperative banks used to give 60-70 percent of loans to the farmers but now the commercial banks are also giving 75-80 per cent of loans to farmers which is a positive sign,” he said. ■

# “Mobile is the future of banking”



**Rajnish Kumar**, Managing Director, State Bank of India

**S**tate Bank of India managing director Rajnish Kumar said the real thrust in the field of financial inclusion (FI) in India started in 2005 when the Reserve Bank of India (RBI) created an enabler for FI to use the services of business facilitators and business correspondents. Kumar said that the world has completely changed in the last 12 years.

“A lot of initiatives, enablers and innovations happened in this period. SBI has opened 12 crore Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts since the scheme’s launch and today around a total of 40-45 crore accounts have been opened across India. Every day, SBI opens around one lakh saving accounts, out of which 60,000 are Jan Dhan accounts. It was not possible without the momentous

step taken by the RBI,” Kumar said.

He talked about the uniqueness of UPI system and Aadhaar enabled payment system. “SBI has 42 crore saving bank accounts, which is around one third of India’s population. Over 3.3 crore customers of SBI use internet banking while around 1.5 crore use mobile banking services. If we look at the statistics, a huge number of our customers are yet to use internet and mobile banking because of several factors,” he said.

Kumar shared some statistics related to branch banking and digital banking at the conclave. “Twenty percent of our transactions still happen at our branches, 42 percent on digital platforms and 38 percent at ATMs. The shift from cash to digital is definitely happening, but it also requires massive efforts to make it possible. There

is a proliferation of products and options, and consumers themselves are confused as to what product or services to use. There should be some clarity on that. Cash is still most convenient. We can’t ignore the fact that 80-90 percent people in India are earning only ₹200 per day. It would be unfair to expect to people who earn such a meager wage to shift to the digital services. It is a big challenge,” Kumar said.

He gave an example of recharging a satellite TV and booking railway tickets through digital means, but raised questions whether somebody can buy vegetables at a local market or buy grocery without cash.

“In terms of convenience, nothing can substitute cash. That’s why countries like the US, Japan and Germany, the cash is a component of GDP. In a country like India, where income levels and digital literacy are very low, it is very difficult to think about the complete digital economy. Telecom connectivity in rural and semi-urban areas is still very poor in India. Card is the second most convenient way of transaction after which mobile and internet banking come into picture. It is not only about the digital payments, it is also about creating infrastructure,” he said.

“Mobile is the future of banking, transactions, payments and digitisation. But the country has only 30-32 crore smart phones. When we are talking about achieving the target of digitisation, we must not ignore socio-economic reality of our country. There will be a certain section of population which will transit from cash to alternate mode of payment over a period of time,” he said. ■

# “People need a secure alternate to cash”



**Rajkiran Rai G**, MD & CEO, Union Bank of India

**U**nion Bank of India MD & CEO Rajkiran Rai talked about people's dependence on cash and the need for secure digital banking system. He said as long as the authorities don't address the issue of necessity of people to have cash, they will never be able to reduce cash in the system.

“Cash is used for payments and storage of value. In India, payment system did not evolve for a long period because of which cash was being used and continues to remain as a major payment and settlement mode in our system. We need to address this issue. Digital technologies are multiplying manifold but still we are

not able to take out cash from the system,” Rai said.

He said that even after the demonetisation, the way it is being monetised, the country is reaching to the same level of monetisation because people still feel the necessity of keeping cash. We need to go deeper into this issue and analyze why people are comfortable with cash, he added.

“Cash is dependable and comfortable to use. But have we found an alternate mechanism as dependable as cash? If we have a 100 percent success rate of an alternate to cash, people would surely stop using cash and switch to digital. The ATM penetration throughout the country has encouraged people not to store a

**IF WE HAVE A 100 PERCENT SUCCESS RATE OF AN ALTERNATE TO CASH, PEOPLE WOULD SURELY STOP USING CASH AND SWITCH TO DIGITAL. THE ATM PENETRATION THROUGHOUT THE COUNTRY HAS ENCOURAGED PEOPLE NOT TO STORE A PILE OF CASH IN THEIR WALLETS**

pile of cash in their wallets. However, if I want to buy something in the market, I definitely carry some cash in case of any eventuality,” he said.

He said that infrastructure has to evolve to a level where the country can have 100 percent digital transaction and people will not have to carry cash.

“Cash over a period of time has become a storage of value like gold and equities. When demonetisation took place, it came as a shock to everyone and suddenly people realised that cash does not have good storage of value because its value got destroyed overnight. Somewhere, we have shaken the confidence of people that cash is not a good for storage. It needs to be taken forward,” he said. ■

# Internet use boosted digital payments



**R Subramaniakumar**, MD & CEO, Indian Overseas Bank

**I**ndian Overseas Bank MD & CEO R Subramaniakumar laid emphasis on making efforts to become a 'less cash' society. He said that cash has a character of anonymity and the moment it moves out of someone's hand, it can't be tracked easily. He said that the major reason behind moving to a less cash society is the cash to GDP ratio being highest in the world. "Huge money is being spent in printing, circulating and managing the cash by various authorities and regulators of the government," he said.

He also talked about some of the alternatives available with the government. "Digital has emerged as the major alternate to cash. Internet is one of the biggest inventions of mankind. In India, in 2001

around seven million people were using internet which has increased to 30 times within 15 years. Internet is one of the most disruptive innovations in the recent past. Now, we can't imagine our lives without smart phones without which we start feeling restless," Subramaniakumar said.

"Almost 50 million Indians use internet 50 hours a month. Internet applications are the talk of the day. Internet has created new business models and verticals like social media. New internet applications are driving net neutrality. The moment we want to move towards less cash society, we probably start looking at money as a data. E-commerce platforms are shifting the users from shopping at the stores to shopping on the go. The internet user

**ALMOST 50 MILLION INDIANS USE INTERNET 50 HOURS A MONTH. INTERNET APPLICATIONS ARE THE TALK OF THE DAY**

community in India is growing exponentially," he said.

He highlighted a few statistics on increasing number of internet users in the country. "In the first 20 years of introduction of internet, 100 million users hooked on to it and I am sure that over 100 million new users will be using internet every year because of increasing penetration. The reason for internet's exponential growth is not only the increasing penetration, but affordability of the devices and data plans rolled out by service providers. Introduction of vernacular languages in the internet has increased its usage and people are accepting it well," he said.

He said that people's habit and way of doing things have changed. "Internet has the power to impact our lives in various sectors like education and entertainment. Consumers having net connections first go online to get the feel of a particular product before buying it online where they usually get discounts. As an instance, people often go to malls to check how a particular item looks like and then they buy it online. This kind of disruption is not happening in the financial services that may be one of the reasons that we are not able to deepen products and services to the last mile," he said. ■

# Cash is injurious to economy: Hota



AP Hota, MD & CEO, National Payments Corporation of India (NPCI)

**N**ational Payments Corporation of India (NPCI) MD & CEO AP Hota spoke of three major issues in his inaugural speech — cash being injurious to the economy, role of infrastructure and literacy to achieve government's dream of 25 billion digital transactions and 'mobile first' strategy.

"You might have seen in the old days 'no smoking' banners used to be put to sensitise people about hazards of smoking. Over a period of time, number of people smoking has plummeted significantly. To build a less cash economy, a little bit of education and sensitisation programme is necessary. Digital payments are undoubtedly better than cash and the latter is now becoming

injurious to economy. In order to create a less cash society, we need to look at the negative aspects of the cash-rich society," he said.

Hota pointed out that the government has to make a lot of efforts to print cash and take it to the issue offices of RBI and then transfer it to thousands of currency chests for final circulation.

"Printing cost of currency is about ₹2,000-4,000 crore and another ₹16,000 crore is being spent on circulating it by the banking industry. The efforts that go into currency circulation can be reduced significantly. Cash leads to corruption, pilferage, black economy, counterfeiting, terror financing. It is better for the country to move away from cash. India's currency in circulation to GDP ratio is much higher than

many countries in the world that needs to come down. After demonetisation, it has come down to a significant level but after remonetisation it has again gone up. Even countries like the US and Japan are cash-rich countries, but they are making efforts to minimise the usage of cash," Hota said.

"For achieving the target of 25 billion digital transactions, the government has set up a machinery consisting of RBI and NPCI. RBI is closely monitoring the situation. We have a number of electronic payment systems like RuPay card which is country's own card, new generation IMPS and UPI. Unified payments interface is now gaining momentum. We have started national electronic toll collection (ETC) at a few national highways to facilitate cashless transactions," he said.

Hota said that around 1.3 billion digital transactions took place every month in the period of April to June this year. He said that for a country like India, there should be at least 10 million PoS devices against the existing three million terminals to facilitate massive digital transactions. Even Brazil has got seven million PoS terminals and China possesses 17 million such devices, he said.

"RBI and many banks are conducting financial literacy campaigns to make people aware of digital banking related developments. The time has come when payments should be made 100 percent digital in a few departments in a phase wise manner. India has close to 300 million smart phones. Besides, the country does have a very sound regulatory framework for mobile banking so smart phones can be leveraged to the optimum," Hota said. ■



# Financial inclusion in digital economy



## **Mayank K Mehta, Executive Director, Bank of Baroda**

When we talk about the digital part of financial inclusion, we need to coin a new term called digital inclusion. We have done a lot in financial inclusion and reached meaningful financial inclusion, which is not confined

only to the opening of bank accounts but also extended to micro-credit and insurance products as well as remittance products. So that has already matured and now what is required to be done is digitisation. For that, we will have to run a new project called digital inclusion. Thanks to service and technology providers which are giving comfort and confidence to the banks, the latter will have to implement some new products. For literacy part, it is like you provide mobile phone to someone and he does not know how to operate it. So, that has to be taken care of, and if that is done, then I think we have achieved both financial and digital inclusion.



## **Indra Mallo, Vice-Chairman & Managing Director, Mahila Arthik Vikas Mahamandal**

I come from a women's economic development organisation, and we deal with self-help groups (SHGs). There is a big movement of self-help groups all across the country, including

Maharashtra. When you talk about financial literacy, these women in self-help groups are already oriented to it. They are taught book keeping. These women have opened accounts, becoming familiar with banking and credit, and are going beyond financial literacy kind of module to shape their investment. Recently, Mahila Arthik Vikas Mahamandal was in talks with CRISIL foundation for rolling out financial literacy in a few districts of Maharashtra. We will hopefully do this. But, regarding basic bank linkage, a lot of groundwork has already been done. Another thing which comes to my mind which may or may not

be relevant are the NPS; it has in-built equity distributed mutual fund kind of options for those who are in the income tax net.



## **Sakshi Varma, Senior Financial Sector Specialist, World Bank Group**

When we talk about financial inclusion, it is about multiple products like payment, insurance and investment. So, digitisation has affected different people differently. For people like us, payment is something that has really

picked up. But, there are other people who have benefitted with the digitisation in services like credit, savings, remittances, etc. If products like insurance or mutual fund are still not mature, then digitisation is going to take some time. Right now, we are educating people about these products. But, products like IMPS or BHIM app are beneficial for remittances for those who work in Delhi and whose village is in some far off place.

FinTechs are coming quickly in multiple forms, lending platform, crowd funding and various tools. But, we need to keep pace with regulations. For example, the RBI has some draft guidelines on online lending, so regarding regulation, we need to move as fast as technology is evolving. There are multiple types of lending platforms that are coming up like peer-to-peer lending, lending to a business set of B2B, crowd funding from individual to a business. A lot of innovation, experimentation, and investment is happening on that front.

Services that are available to the low-income group are loans and savings, and FinTechs are making lots of difference there. For instance, now you have many BCs helping financially excluded people to open savings account and even remittances to some extent. Loans are now available through some of these online platforms. But, when we talk about products like insurance and mutual funds, one can't expect FinTechs to play a bigger role here. Another thing is security and awareness, especially when people are financially excluded, one has to work hard on creating awareness about using these platforms appropriately and safely, particularly in a country like India where people do

not understand the basics of it. In fact, it is common for people in India to go to the ATM and ask someone else to withdraw money, which should never happen.



**PC Panigrahi, General Manager (FI), Union Bank of India**

Financial Inclusion is digitally expanding its reach, scale and scope. The country is investing a lot in technology, hardware and software. But, further investment in people is necessary. There are three things - first is

the service, another is the user and the last one is the provider. The provider may be strong, there may be many services. But, what is required to understand is who all are the users and what is their objective and how it can be fulfilled. So, the country needs to invest in people and technology.



**PK Gupta, General Manager (FI), Central Bank of India**

Business opportunities increase with increase in number of players in the market. More the payment and small banks, more will be the business. When private banks came into existence many years back, PSU banks were concerned that their business

will go away or be impacted, but nothing like that happened. Both of us are growing at the same pace and thriving. So, there is no scope of insecurities from payment banks and small banks. We look forward to doing business with them and tying up with them. They are a challenge for us, but I do not see them as a threat.



**Sameer Shah, Vice President, IndusInd Bank Ltd**

The customers will move to digital. To begin with, we need to have the combination of physical and digital. Hence, to let customer adopt the digital initiatives, we need to adopt the assisted model in which they can

understand, appreciate and adopt. In the near future, we will move from phygital (an amalgamation of physical and digital banking model) to entirely digital. The second point is the

TAT (turn around time) will improve with digital initiatives. With the RBI relaxing and allowing OTP based opening of accounts, now we can open accounts in minutes. With biometric based e-KYC, things have improved drastically in terms of turnaround time, which are now reduced to a few minutes from 24-48 hours earlier. Also, Aadhaar Enabled Payment System (AEPS) has also improved matters. The government initiative making Aadhaar mandatory for all new accounts and existing accounts by January, 2018 is a significant step in this direction. That is going to help the banks and customers in a big way.



**Ravi Gopalakrishnan, Head-Equities, Canara Robeco**

It is about how one transforms the entire habit of savings and moves around risk reward curve between deposits on one side and equities on the other. One has to strike that balance. We organise seminars to create

that literacy. Now, coming to the technology part. Fortunately, the regulator here is extremely ahead regarding giving that confidence and mutual funds are perhaps the most regulated sector. It instills a lot of confidence in the investors. In the US, it is compulsory saving where part of your salary will go to the areas where you want to invest. It could be fixed income within mutual funds, equities, balanced funds, or bank deposit. There is a combination of all of that. We need to move into that direction whereby there must be some compulsory savings distributed across all the products.



**Vikrant Ponshe, Advisor Retail Banking, SVC Co-operative Bank Ltd**

Overall feedback from customers on digitisation is exemplary. It is a convenience the customers are looking for. However, in the entire chain what they still want is a bit of hand

holding. Why do we have priority banking? We have personal bankers even in the ICICI, HDFC banks for the reason that if you need to invest in a mutual fund, you need a personal nod from a person to ensure that I am taking the right decision. Human psychology is not entirely geared up with technology to take that plunge. That is the role co-operative banks are playing.

I am working on connecting the dots in financial inclusion space. Cooperative banks have been existing for the last 100 years without profit as the motive, yet active in this space. There was a time when BCs were appointed for daily collection by cooperative banks because there were lots of fraud and disputes. But, adoption of technology has brought in a level of transparency and security. Turnaround time has also improved considerably.



**Shashi Kumar JV, Vice President-FinTech, Evolute Group**

Challenges for innovation in financial inclusion are transaction security and lack of interoperability. As an example, in a shop they keep 4-5 machines for transactions by different cards. We provide such a solution

that a single device can be used for all cards. We are focusing on Omni channel and making more return on investment for small and mid-level merchants. Still, there are shops and retailers who do not keep machines to avoid charges and complexities with payment disbursement and poor user experience. Battery life of the devices provided to them is also poor and they usually last for 3-4 hours. Can these devices be used in the rural segment? Can BC (banking correspondents) carry these devices? So we make devices, which last for 24-48 hours and some can last even for a week. These points are important in reaching our financial inclusion goals.

For transaction security, people have a lot of doubt about Aadhaar based payments, so recently UIDAI announced RD (Registered Device) service for all device manufacturers in the country. Earlier, any merchant could buy a device and use it for Aadhaar based authentication. On some complaints of discrepancies in a few cases, UIDAI has made a provision of RD under which every device manufacturer has to register the device, which is getting used with Aadhaar in UIDAI server. Any transaction that happens on the device will be recorded along with the manufacturer's details and solution provider's details. In case of any malfunction, first, the device manufacturers will be caught. From July-end, registration has become mandatory, otherwise the device will stop working. We will be the first POS vendor in India to be registered. We are giving banks in writing that we will take the responsibility if anything goes wrong. What cloud players could not give to the banks, we are giving that assurance and taking responsibility for any illegal transaction from our devices. We have 70,000-80,000 devices getting used in the rural segment.



**Bhaumik Shah, National Business Head, Capita World**

We at Capita World are helping people, right from a tea vendor to a conglomerate, in disbursing the funds. We look into authentication of data from various government sources. We get their entire data filled up in the form automatically. Even, if there

is low literacy in the area, substantial percent of the form is automatically filled up depending on the product segment. We have the concept of one form where in all the data required by any banker, will be received by them in the format that they are used to seeing.

The second thing that we are facing is that many banks prefer physical presence or 'phygital'. Now, the question that we need to ask ourselves is, are we heading towards eliminating the intermediaries of the financial market? Because there are Direct Sales Agents (DSA) of each and every bank and as soon as digital players come into the picture, this thing has to complement the banking sector. When a banker goes for marketing and gets the proposal, they at least incur 4-5 percent of the direct cost, DSA 3 percent and digital players 1.5 percent. Now, which platforms will the banker choose? But, as we are planning to expand beyond western India, we are finding it difficult to convince the banks at the local level even to come and see the proposal in digital media and sanction it accordingly. They still give preference to originally see and verified (OSV) and personal discussion (PD) to disburse the funds.



**Abizer Diwanji, Partner & National Leader-Financial Services, Ernst & Young**

If you see the products where digitisation has benefitted, primarily it is payments. Digitisation is thriving. Writing cheque is something we know and we have done for a long time so to move that to digital

for those services was easy, but to invest in a mutual fund is a tough decision especially on digital. For a rural guy to put money in a bank is a tough decision and then utilising that money through a digital channel is also challenging. So first we need to provide literacy to make digital financial inclusion more effective. I hope Bharat will move from phygital to digital quickly. ■

# Technology roadmap for secure digital economy



## **MA Khan, MD & CEO, IDBI Intech Ltd**

In order to grow in the evolving digital world, banks have to be fully digital. This means more than just paying lip-service in the form of Internet banking and mobile banking. It means embracing digital thinking, enabling scalability, enhancing customer analytics and delivering services directly to customers at a time and place that suits them.

Digital transformation driven by artificial intelligence and cloud computing have the potential to transform both front office and back office operations and provide the required agility and elasticity to meet the growing customer expectations.

Digital transformation driven by artificial intelligence and cloud computing have the potential to transform both front office and back office operations and provide the required agility and elasticity to meet the growing customer expectations.



## **Butchi Babu Burra, Adviser IT, Bank of India**

Why are we confusing customers with lots of products (multiple wallets, cards, BHIM, etc.) for a transaction rather than making it easy? Do I need an instrument to transact or can I transact anywhere? Whether the digitisation is to include the people

or to make my transaction cheaper. Among all the kind of apps which are floating, probably the best idea (in the recent past) is UPI, where you download the app and start transacting.



## **CA Jayant Gokhale, Chairman, Audit Committee, Syndicate Bank**

About digital security, my observations are that the focus of technical people tends to be more on systems. I look at it with a slightly different perspective as ultimately the proof of the pudding is in the eating. I don't

care what system is running in the background. What I am concerned about is the output and its cost effectiveness. I have got two red flags to highlight; one is we all are focusing on NPA. As I see looming on the horizon the next threat before NPA dies down is the fraud threat, and I think it is accentuated by the fact that digital provides the anonymity, which enables crime. Therefore, one factor that I flagged as the emerging threat in the banking industry is a risk of frauds. The second is unique to Indian banking partly because we had a large background of public sector banks, which are more regulated by checklist and are more compliance oriented rather than result oriented.



## **Subrata Gupta, Chief General Manager - FI & Banking Technology, NABARD**

Information security is the area where it has to be preached that faster the information travels within the organisation, faster we can take security measures. Another problem area

that needs to be addressed especially from the security point of view is the outsourcing of the business. Many business items are outsourced, and lots of problems can come from that side. I am of the firm opinion that there has to be some regulatory sandbox for testing technology. There are multiple technologies coming in the field, which one should I take, which one I shouldn't. How do I test and who tests it? How independent is that?



## **TV Ramanmurthy, General Manager-IT, Bank of Maharashtra**

More than security, our concern is frauds. Our bank has a lot of middle class and lower middle class customers throughout Maharashtra and elsewhere. The most common form of fraud is phishing where these people call and ask for

password and the customer is ready to share the debit card number and other details. This is going to be one of the biggest challenges. Every day there are a couple of queries asking when will I get my lost money. Thanks to RBI, now they have come up with a policy that the customer liability is limited in the case of an unauthorised transaction. Now, forgery in the transaction will not directly affect the customer, and it adds over digitisation and financial inclusion. Apart from that, digital transactions are cheaper. When a customer walks into a bank, then the cost of transaction for the bank comes out to be ₹54 whereas in case of digital transaction, it costs ₹3-4. We can use the particular fund – amount saved by adopting digital technology – in creating digital education fund. With this fund, we can educate gullible customers, particularly the Jan Dhan account holders to adopt the digital technology with all security and confidence.



**Ashutosh Jain, Chief Information Security Officer, Axis Bank**

Mobile banking services are provided by either banks or various other ecosystems behind the bank to the customers. So, the services the bank provides are safe and secure to that extent, and not misused from the end point perspective. Then there

are responsibilities like the users have to ensure safety and security of end points. For example, everybody knows about routed devices, antiquated devices and lots of malicious applications not to be used on the same mobile, which is used for mobile banking. These basic precautions from customers are required so that it becomes a shared responsibility. Globally, two years back, there were 2 billion users having digital identity across the world out of total approx 6 billion global population. Now that 2 billion has suddenly swelled to 4 billion digital identities across the world, which means 2 billion people have suddenly come into the ecosystem which is a huge number. It is actually 100 percent jump in last two years. Naturally these people are not the part of the earlier ecosystem and not savvy as the first 2 billion people. These people are definitely susceptible to all kinds of risks such as phishing and all kind of digital crimes. They probably are not aware and cautious of all the responsibilities that they have to discharge. So it is the common responsibility among all the institutions, irrespective of what they are, to educate these people. So, you have to maintain the same rigor to educate them and ensure that they are doing the right things while getting them on board.



**Rajendra Bhalerao, Chief Information Security Officer, NPCI**

Apps have to be cost effective, but the security assessment cannot be compromised. Usually, people tend to go for open source, but they need to understand there are lots of vulnerabilities associated with that as well. From the cyber security perspective, if we

look at the apps we have developed like BHIM, UPI, we ensure that we have necessary controls in place, we have control over Google app store i.e. on which it is getting uploaded. We have informed the banks particularly about the phishing and rogue apps. Quite often we have interactions with CERT-In. They have come and conducted audit with us too. We are associated with CERT-Fin, which tackles anti-fraud (email related). One most important point about cyber security is the threat vectors are increasing day-by-day. There are different threat vectors, which gives us sleepless nights. So necessary skills to address these threats becomes a big challenge for everyone. Analytics will play a key role.



**Nabankur Sen, Chief Information Security Officer, Bandhan Bank**

We started with the customer base of about 50 lakh in microfinance, including rural areas and the poor. It has increased to 70 lakh now. The challenge concerning the digital economy is educating these customers. Securing the digital economy is

about creating awareness on how they are duped. Some people are always on the prowl for phishing attack. It is very difficult to teach rural and poor people that they are being deceived. We are trying to find out the solution and the one solution we are thinking is that we must analyse the customer and then give the product. We should do the customer profiling and understand which products they need. So the digital product which we circulate or place in the entire channel, we must analyse the need beforehand. There is a term in information security “Deny all, allow restricted”. The other thing is the digital products are coming; the security of products lies in the security of the process. The process includes getting the customer on board, issuing the ATM card, file generation, and file movement in the organisation. This entire process should be looked into by the security staff. They should test and then certify. The

process of certification is very important. We have seen many instances of fraud in the recent past, which happened due to some faults in the process. Another thing is that the analytics should be done very judiciously, and also the online products should be comprehensive and mandatorily certified by an external body.



**Raghava Rachuri, Chief  
Information Security  
Officer, SIDBI**

In today's world of business transformation, you can't move data in silos. You need to integrate and unleash the 3D's of data – diverse, distributed and dynamic data. You have to integrate them across not only on an enterprise

level but also on the cloud. Now data-centric businesses are the order of the day, and we have to tear down the barriers i.e. digital barriers, the business barriers and unify the data. But security is the challenge. Earlier, security was always an after thought, and most of the times the business head will announce the release date and say security will be discussed later. But now that has changed. Now, the business head will send the report first and ask for clearance before launching the software, that is the key change. We also face key challenges in getting quality data

and getting it in dynamic and current form. We require strong standards which are vital for the growth of the digital economy. But then who will decide these standards, whether business and consumers or technology companies through the standard bodies or government. So these are the key questions that need to be addressed. We have to have a good balance between the standards and also the flexibility regarding innovation and development. One of the challenges we face in the SME sector is how do we adopt digital economy and digital payment in SME sector. Many of you have heard about FinTech companies. They are bringing a lot of new innovative products which by just filling the few pages of data online, they collect the data in a non-intrusive way. Every time these people, when they do an online transaction, or they browse, they leave digital footprints. So, we can use strong analytical tools to find out what are the business and non-business transactions that they are doing and we can find out whether the finance is being used for business purpose. The same thing is done by FinTech companies to find out the customers' needs, and they can give working capital online within days. There is humongous amount of data. You require right kind of skill sets and technology. We require the PPT - people, process and technology. Even though technology is an enabler and also gives the platform, it is the process and people with right skill sets, which will sustain and realise the transformation. ■



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