

Indian Banks' Role in Realising Viksit Bharat 2047 Agenda

Overcoming Challenges and Charting the Path Ahead

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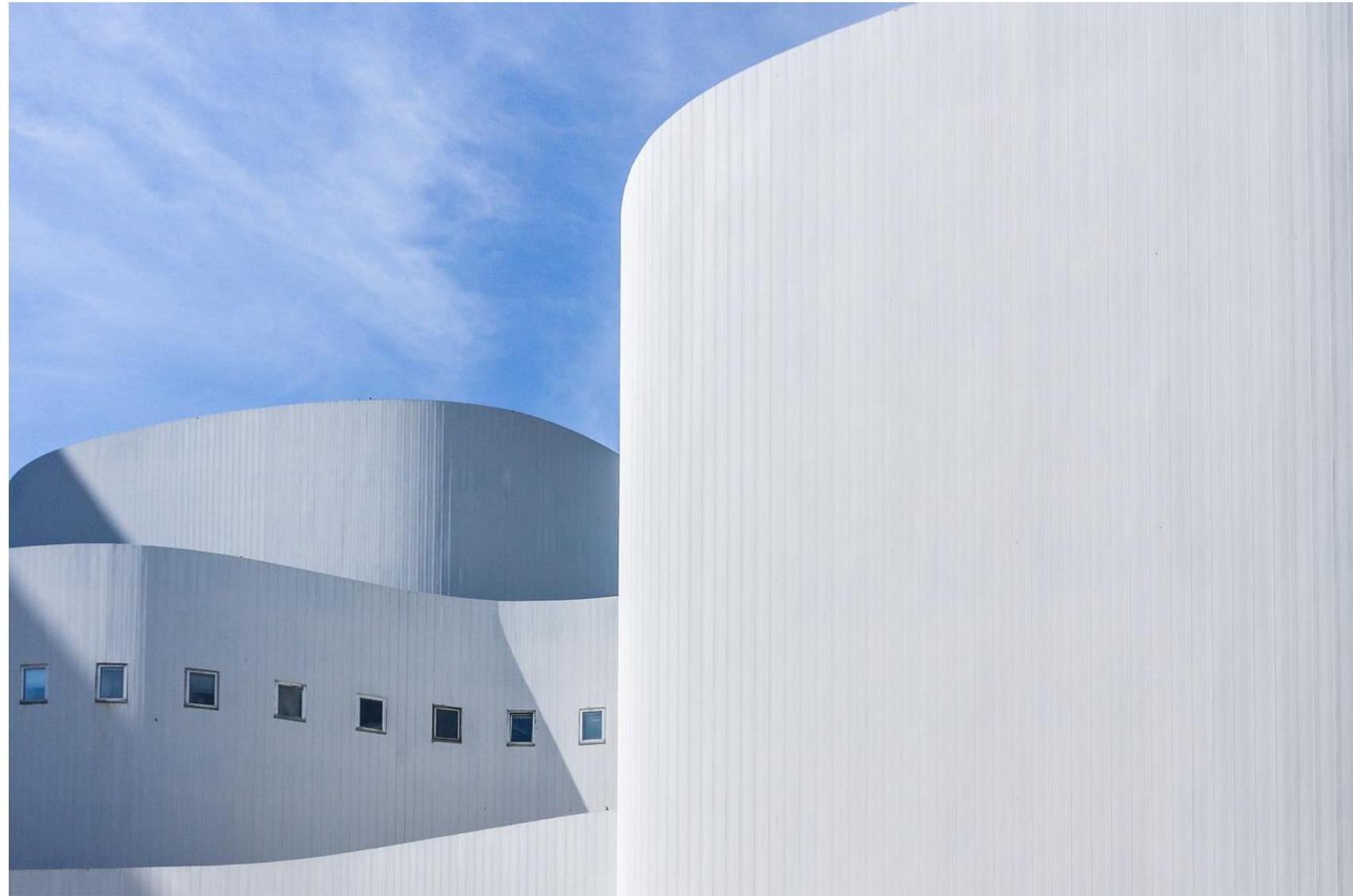
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The vision of Viksit Bharat 2047, a developed India, requires a multifaceted approach encompassing social changes, technical innovations, and economic reforms.

The Viksit Bharat @ 2047 goals which encompasses inclusive economic growth, SDGs, ease of living and doing business, infrastructure, social welfare etc needs a combination of social changes, technical innovations, and economic reforms. In this report, we explore how banks can be an integral part to this vision.

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Introduction



Defining the Viksit Bharat 2047 vision

Viksit Bharat 2047 is the government's roadmap for transforming India to a developed nation by the centenary of its independence in 2047. Today, the country stands as the 5th largest economy in the world and is expected to be the 3rd largest economy with its GDP crossing US \$ 5 trillion. The Viksit Bharat 2047 focuses on key aspects of development, including economic growth, social progress, environmental sustainability, and good governance, in all of which banks and other financial institutions play a pivotal role.



Overview of the role of banks in India's Economic Development

The Indian banking sector which accounts for approximately 70% of total assets in the financial system has been one of the key pillars of the country's economy. Through the government's flagship financial inclusion scheme Pradhan Mantri Jan Dhan Yojana (PMJDY), more than 50 crore Indians have opened bank accounts with almost two thirds being opened in rural and semi-urban areas.

The Pradhan Mantri MUDRA Yojana (PMMY) which was launched in 2015 to facilitate easy collateral-free micro credit of up to ₹10 lakh to non-corporate, non-farm small and micro entrepreneurs for income generating activities has been a game changer for the MSME industry in India. In the period 2022-23, 68% of accounts funded under the PMMY belonged to women entrepreneurs and 51% of accounts belong to entrepreneurs of SC/ST and OBC categories. Approximately 21% of the total loans have been sanctioned to New Entrepreneurs, generating new employment opportunities. Banks have played an instrumental role in making the PMMY a huge success.

The banking sector in India has seen tremendous transformation in the past few years catering to the evolving customer needs and demands, backed by technology. While the country's leading banker, SBI has implemented business analytics and AI/ML in decision-making for better & faster performance, Union Bank of India has developed its metaverse product "Universe" where customers can interactively browse the bank's various products and services in a virtual environment. Digital Banking Units are being set up by both public and private sector banks across the country to improve financial inclusion and extend the benefits of digital banking to the citizens.

Key pillars of Viksit Bharat 2047 and the challenges faced

The Viksit Bharat @ 2047 goals which encompasses inclusive economic growth, SDGs, ease of living and doing business, infrastructure, social welfare etc needs a combination of social changes, technical innovations, and economic reforms. There are seven key priority areas identified by the Government of India, which are as follows



Inclusive Development

A key objective of the vision is to enable every citizen to participate in the economy, with more job and entrepreneurial opportunities. This requires implementation of strategic policies to encourage investment, advance economic growth, and foster innovation across various industries.

Reaching the Last Mile

Focuses on ensuring that benefits of development initiatives and services reach all the citizens, across the most remote and marginalized communities in the country.

Infrastructure and Investment

This emphasizes the need for robust infrastructure development across various sectors such as transportation, energy, healthcare, and education to support and promote sustainable growth and improve everyone's standard of living. To meet the objective, it is important to attract both domestic and foreign investment to finance large-scale infrastructure projects and drive economic development across various regions of the country.

Unleashing the Potential

The Viksit Bharat envisions building an enabling environment that encourages entrepreneurship, fosters innovation, and nurtures talent across all sectors of the economy. This objective focuses on empowering individuals, especially the youth to participate actively in the growth of the economy.

Green Growth

Viksit Bharat aims to make India greener and cleaner by reducing environmental problems, implementing conservation initiatives, climate-resilient infrastructure, and promoting renewable energy. Currently, the country's energy demand is rising rapidly and is heavily reliant on fossil fuels for energy generation.

Youth Power

“Youth Power”, a core theme of the Viksit Bharat @2047 agenda, brings to highlight the crucial role of the youth in driving social change, innovation, and progress. However, the country's youth face unemployment or underemployment due to a mismatch between their skills and the demands of the industry.

Financial Sector

A strong and inclusive financial sector is another critical objective of the Viksit Bharat @2047 vision. The sector is expected to play a key role in supporting economic growth, facilitating investments, and ensuring financial inclusion. Even with major financial inclusion activities, many are still remaining unbanked and MSMEs are facing credit challenges.

Role of Banks in Charting the Path Ahead and Overcoming Challenges faced by the **Viksit Bharat 2047** vision

- Banks as a catalyst for Inclusive Development
- Building Tomorrow, Banking on Innovation
- Green Banking: Financing a Sustainable Future
- Banks as Launchpads: Empowering Youth Through Financial Inclusion
- Futuristic Solutions for Fuelling Entrepreneurship and MSME growth.
- Better Technology for Better Banking and Financial Inclusion

Banks as a catalyst for Inclusive Development

Banks have the potential to foster economic empowerment and social inclusion on a large scale using innovative technologies. Some of them are

Expanding Access to Financial Services

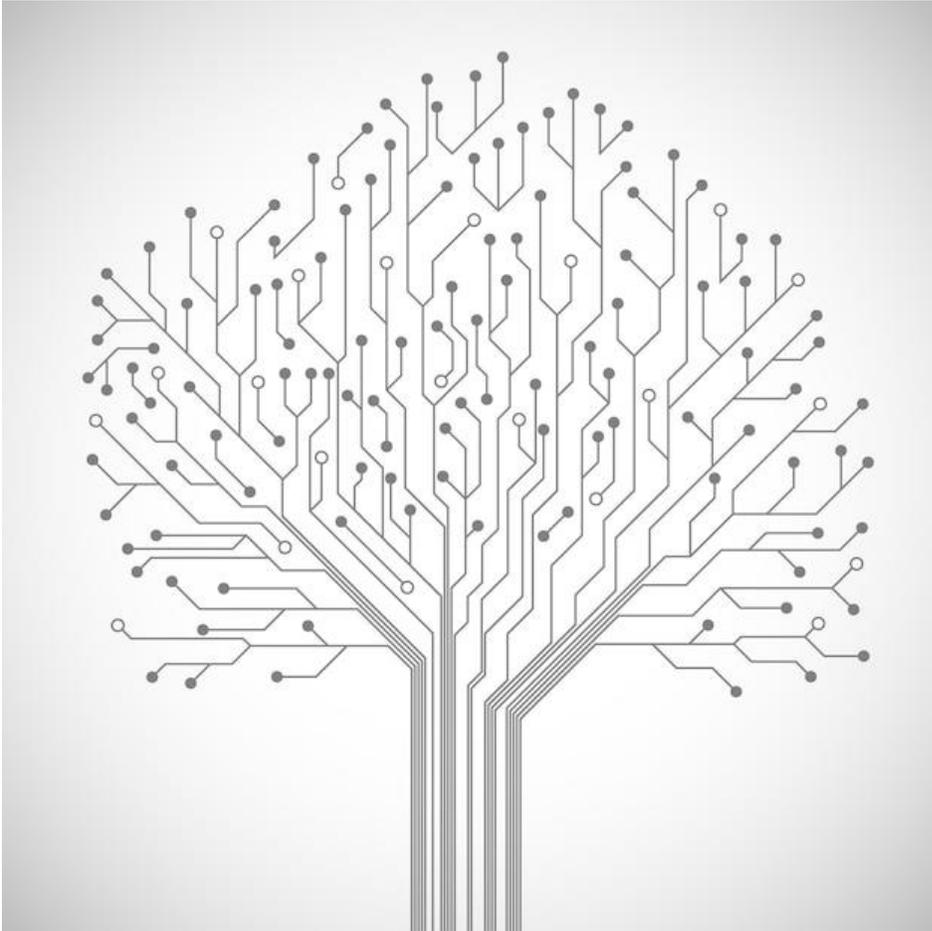
Leveraging Fintech offerings like digital banking services and mobile wallets, banks should look at reaching unbanked populations. They could look at partnering with other fintech companies in developing innovative technology solutions making financial services accessible even in remote areas. Streamlining account opening processes through digital onboarding can remove traditional barriers like physical documentation requirements and non-availability of physical branches.

Microfinance 2.0

Moving beyond traditional microloans, banks can develop a wider range of financial products catering to the specific needs of low-income individuals without credit history. Artificial intelligence and Machine learning algorithms could be used to assess creditworthiness and offer loans to individuals who don't have prior credit history. For example, JUMO, a fintech company based in Africa, uses AI-driven credit scoring models to provide microloans to unbanked individuals by analyzing alternative data sources such as mobile phone usage patterns.



Building Tomorrow, Banking on Innovation



While banks have been actively involved in financing infrastructure projects in India as financiers and facilitators, they have a bigger role to play in the Viksit Bharat @2047 agenda. Banks can become even more impactful players in shaping the future of infrastructure and investment, by being at the forefront of technology.

Blockchain Technology for Infrastructure Bonds or Project Financing

Blockchain technology can be implemented to streamline and automate project financing processes, including fund transfers, contract management, and due diligence. This can create secure, transparent, and efficient bond issuance and trading platforms, attracting a larger pool of investors, thereby lowering the infrastructure project financial costs.

AI and Data Analytics for Project Risk Management

Artificial Intelligence and advanced data analytics capabilities could be leveraged to assess credit risks associated with infrastructure projects with greater accuracy. This enables banks to offer more competitive financing terms and facilitate faster decisions.

Green Banking: Financing a Sustainable Future

Being a key financier for infrastructure projects, banks have a pivotal role in paving a way for a sustainable future. They can be at the forefront of sustainability initiatives by integrating environmental considerations into investment decisions.

ESG Integration

To promote easier financing for sustainable projects, banks can integrate ESG factors into their investment decisions and asset management strategies. Along with financial risk, the environmental and social risks associated with potential loans and investments also should be measured, encouraging more environmentally friendly activities.

Innovative Products

Banks could also introduce innovative products like carbon-neutral business accounts which could help businesses reduce their carbon footprint by providing carbon accounting and offsetting services.

Green Bonds and Sustainable Financing

Banks can issue and promote green bonds, which are debt instruments specifically used to finance environmentally friendly projects in sectors including renewable energy, clean transportation, sustainable buildings etc. They could also issue sustainability-linked loans to fund environmentally sustainable projects with preferential terms.

Banks can also promote energy efficiency and conservation in their business practices as well. While Axis Bank has got their corporate office in Noida IGBC Silver-rated Green Building certified, HDFC has signed a Memorandum of Understanding with IGBC to jointly organize training and awareness programmes to promote financing of green buildings in the country. In 2022, HDFC raised \$400 Million from IFC to boost green housing in the affordable segment.



Banks as Launchpads: Empowering Youth Through Financial Inclusion

Banks have a crucial role in empowering youth by providing them with financial tools and services which help with access to learning opportunities, start small businesses, and become more financially responsible. To help the youth be a part of the economic progress, banks can provide the following :

Youth Entrepreneurship Support

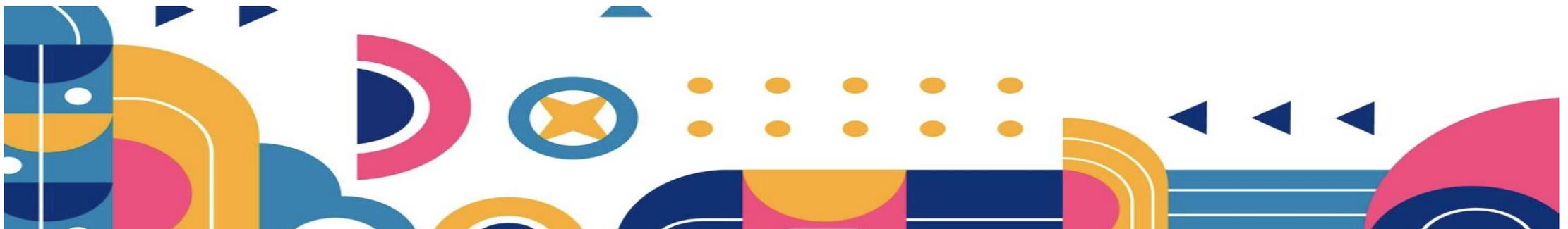
The lack of capital and business skills are two important challenges faced by young people in starting their business. They often have limited savings, lack of collateral, and limited credit history which leads to limited financial access. Banks can play an important role in addressing this through various financing options and support programs tailored to the needs of young entrepreneurs. They can introduce microloans and startup financing options including capital financing, mentorship, and business development services to aspiring young entrepreneurs, helping them start and grow their businesses.

Reaching the Last Mile

Better Access to Financial Services: Youth segment is traditionally seen as a relatively unappealing market segment due to their limited income. However, it is an important responsibility for the banks to have youth banking programs which cultivates the habit of saving money and fostering a culture of financial responsibility. With gamification and other innovative technology solutions, banks can retain them as loyal customers as they start earning higher incomes. SBI Yuva Savings Account which provides features tailored to the needs of young generation customers, including low minimum balance requirements, online banking facilities, and personalized debit cards.

Financial Literacy Programs

Banks can roll out financial literacy programs in the semi-urban and rural areas to guide youth in making informed decisions about money management, saving, investing, and debt. Technology platforms could be utilized for offering online or mobile based learning, providing gamified experiences, interactive learning content etc, to teach young people essential financial skills. Barclays in the United Kingdom offers an innovative program called “LifeSkills”, a free employability and financial education programme, to unlock financial skills and employment opportunities for youngsters.



Futuristic Solutions for Fuelling Entrepreneurship and MSME growth.



Banks can promote entrepreneurship, MSME growth and foster innovation by providing specialized services tailored to the needs of startups and small businesses. Some of them are

Advanced Technology for Risk Assessment

Advanced technology like predictive analytics models can be used to assess the risk profiles of startups or MSMEs and predict their likelihood of success, enabling more informed investment decisions and portfolio management.

For example : Non-traditional data points social media sentiment or online customer reviews could be used to assess a startup's potential, before financing.

Blockchain-enabled Funding Platform

Decentralized funding platforms using blockchain technology could be adopted by banks to create peer-to-peer lending or equity crowdfunding platforms enabling startups and MSMEs to raise funds for innovative projects.

Conclusion



Better Technology for Better Banking and Financial Inclusion



Technology is expected to be the key game changer in the coming years in the banking sector. Leveraging India's technology prowess, banks could develop innovative solutions for inclusive development. Some of the examples would be

Banking in local language

Language is still a major hurdle for many in India. While the majority of the banking apps are in English, voice-enabled AI chatbots that understand local dialects or multi-language solutions can be a game changer for financial inclusivity.

Building on top of existing solutions

Financial solutions like loans which could be built on top of existing solutions (like Jan Dhan Yojana scheme). Offline digital wallets could be another solution for those with limited or no internet access.

Banks should focus on the transformative potential of technology to advance the objectives of Viksit Bharat, driving inclusive growth, fostering innovation, and promoting sustainable development across the nation.

Reflection on the role of banks in realizing Viksit Bharat @ 2047 agenda

Digital banking platforms using latest technologies like AI, predictive analytics should be the top priority for banks to improve the financial inclusivity in India. Leveraging this, they can reach out to the unbanked and underserved populations in remote areas, providing them with a gateway to formal financial services. This also can be expected to streamline funding for MSMEs, entrepreneurs and youngsters who don't have a formal credit history.

Banks also should incorporate advanced analytics and tools to gauge the sustainability factor in key infrastructure projects and incentivise appropriately with impact investing funds or sustainability-linked loans. This would help more infra projects to be aligned with Viksit Bharat's commitment to environmental stewardship. Today, banks are in the pole position to catalyze a positive change across the nation and drive a transformative change to build India as a developed nation by 2047.





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