



# Valedictory CEO Panel

## Emerging landscape of financial services to serve the New India

20 AUGUST 2019

# Emerging landscape of financial services to serve "New India", a \$5 Trillion economy



## Digital India

*What will it take for cash to no longer be king of the economy*



## MSME growth

*How can financial sector meet the growing needs of MSMEs as they formalize*



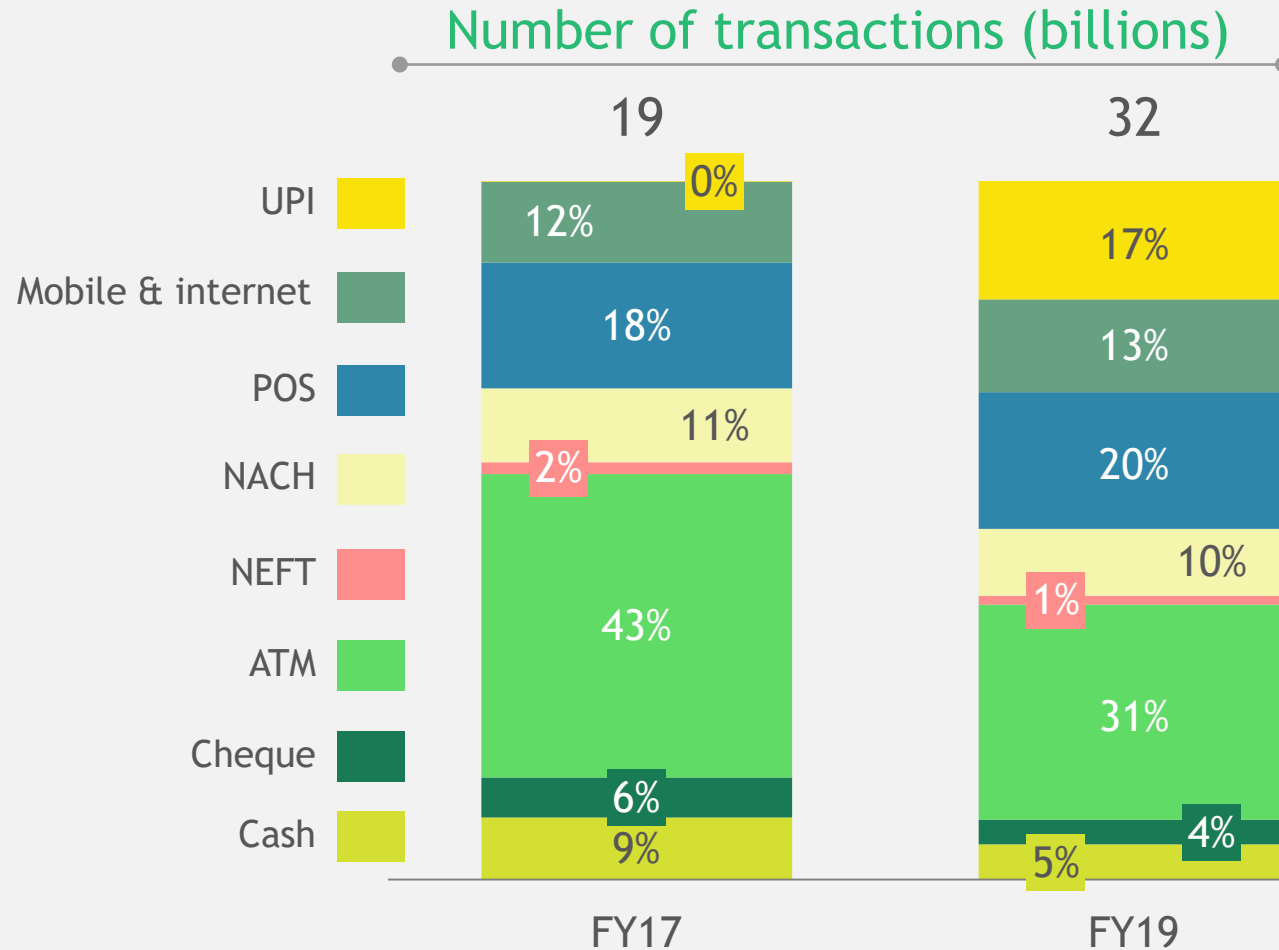
## Boosting investments

*How can access to finance be eased for spurring investments*

# Indian banking poised for significant disruption

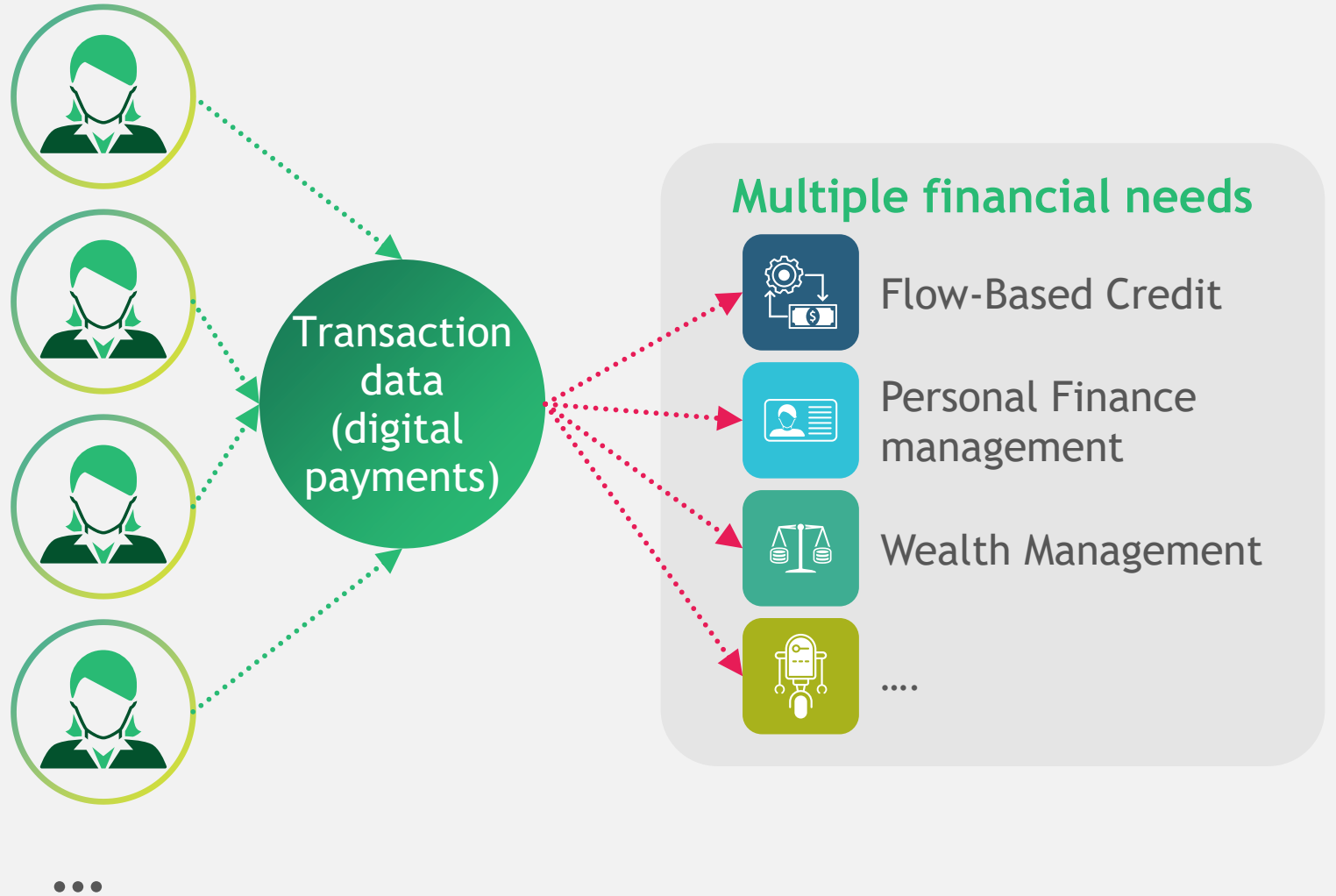
1. Internet transactions include RTGS, ECS, NEFT and IMPS financial transactions 2. ATM/CDM includes withdrawals transactions at ATM and deposit transactions at CDMs. ATM and Mobile transactions included are financial transactions only  
Source: RBI data, BCG Analysis

# Indian banking poised for significant disruption

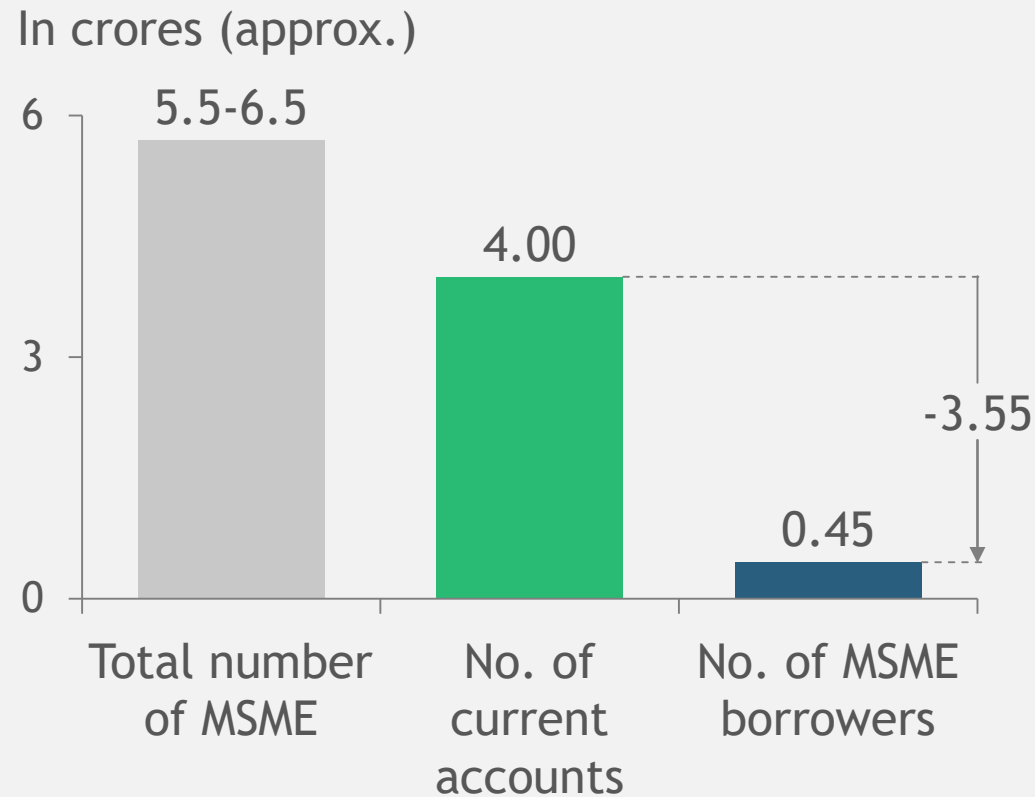


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Digital payments will lead to true financial inclusion when multiple products are offered using this data



# MSME: Macro tailwinds supporting "formalization"



## GST

- 1 cr.+ GST registrations
- Digitization of Value Chains

## Digital payment at POS

- Electronic transactions data on sales

## Credit bureau & surrogate data

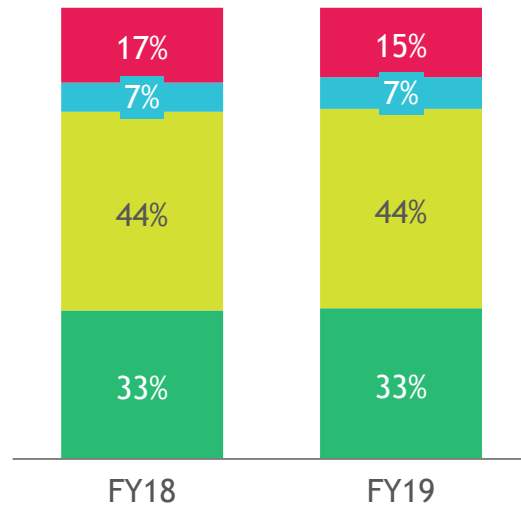
- 70 lakh+ commercial bureau data
- Account transactions and payments data
- Utility bill payment information

Note: 1. 2014-15; Number of MSME borrowers based on TransUnion CIBIL commercial bureau data for entities with <25 crore cumulative exposure.  
Source: TransUnion CIBIL data and analysis; MSME Annual Report 2016-17; number of current accounts from FIBAC Productivity Survey 2016; BCG analysis

# Inability of financial sector to manage quality in MSMEs impacting credit supply

Industry could not tighten standards

Bureau score of new loans



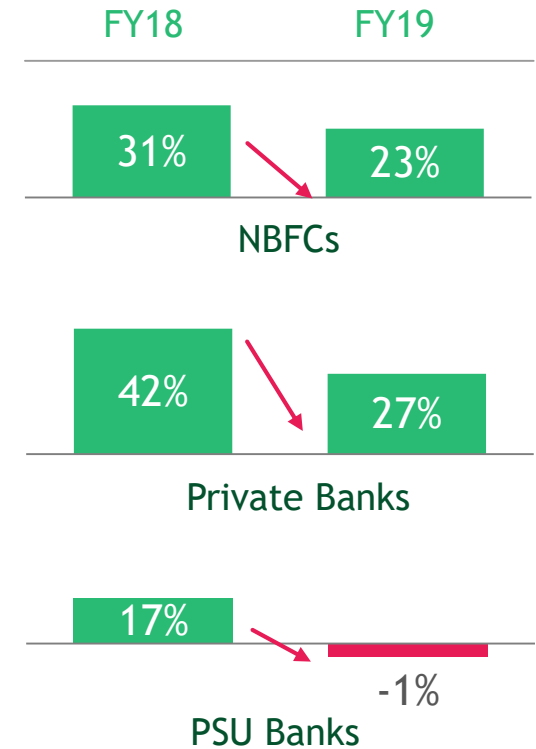
Credit scores

■ -1 ■ Below 650 ■ 650-750 ■ 750+

Visible build up of stress-NPA (%)

	FY18	FY19	Inc/Dec
NBFCs	5.1%	7.3%	↑
Private New	2.5%	2.2%	↔
Private Old	5.4%	7.9%	↑
PSU Large	19.6%	19.1%	●
PSU Medium	20.4%	24.5%	↑
Industry	11.3%	11.3%	●

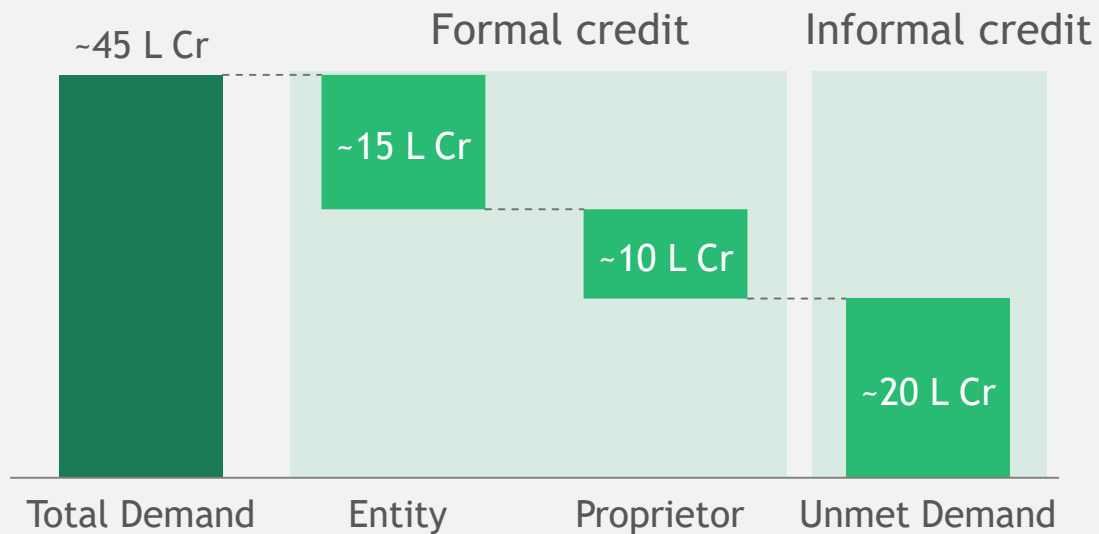
Significant variation in growth dip-Advances growth-YoY (%)



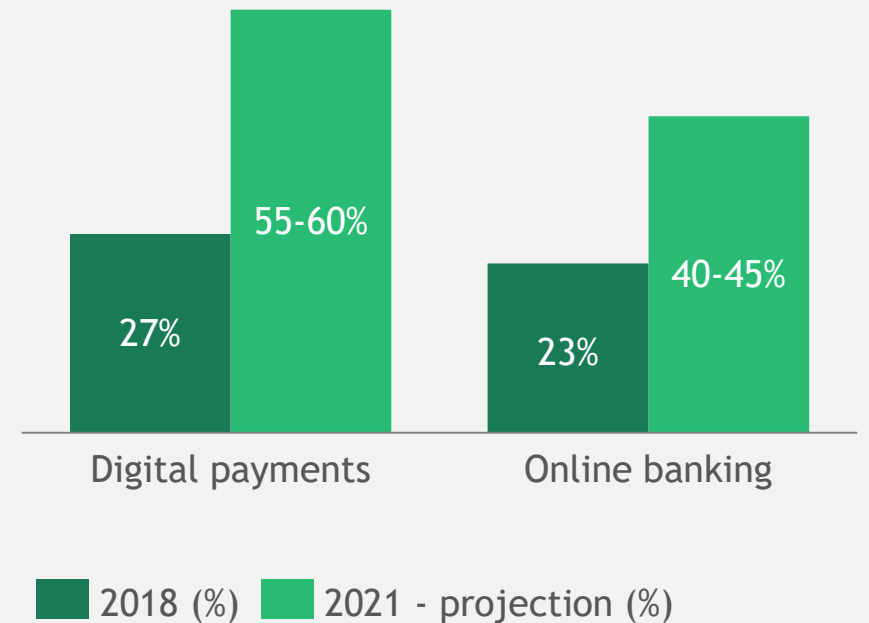
Note: 1. NBFCs includes HFCs 2. Industry includes NBFCs, HFCs, Private banks, Public sector banks, Co-operative Banks, MNCs and Regional Rural Banks  
 3. Products included are Retail Business loans, Retail- Loan Against Property, Retail - Commercial Vehicle & Construction Equipment Loans and SME business includes loans < INR 50 crores  
 Source: TransUnion CIBIL; BCG analysis

# MSME: How can financial sector address need for credit and other digital services

Credit: 45% needs still met through informal sources



Other services: MSMEs see need for more digital financial services





India needs to spend \$200 Bn. p.a. on infrastructure to achieve the target of \$5 Tn. economy

## Investment is a key driver of growth cycle being "Virtuous" or "Vicious"



Drives demand



Creates capacity



Increases productivity



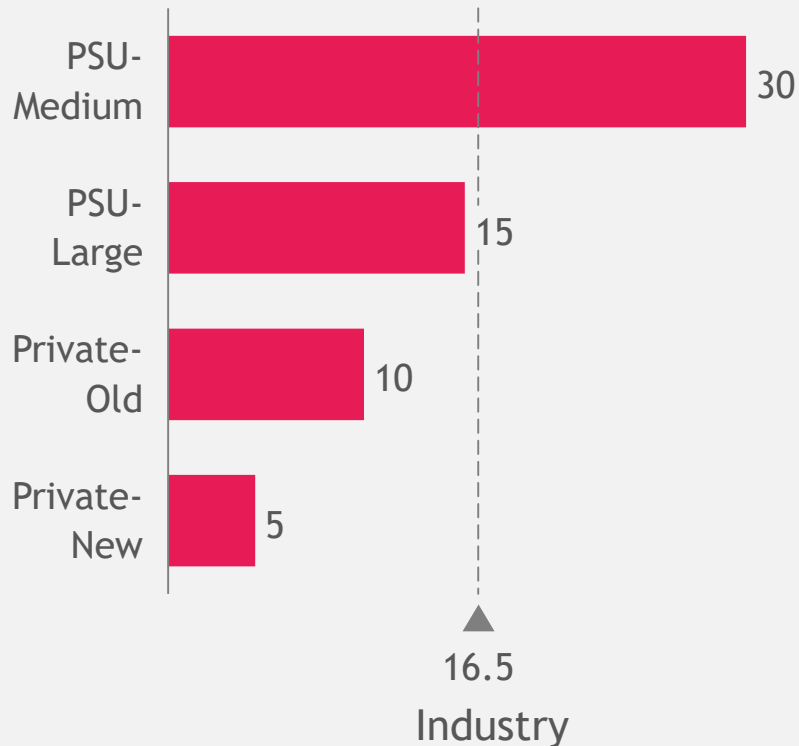
Introduces technology



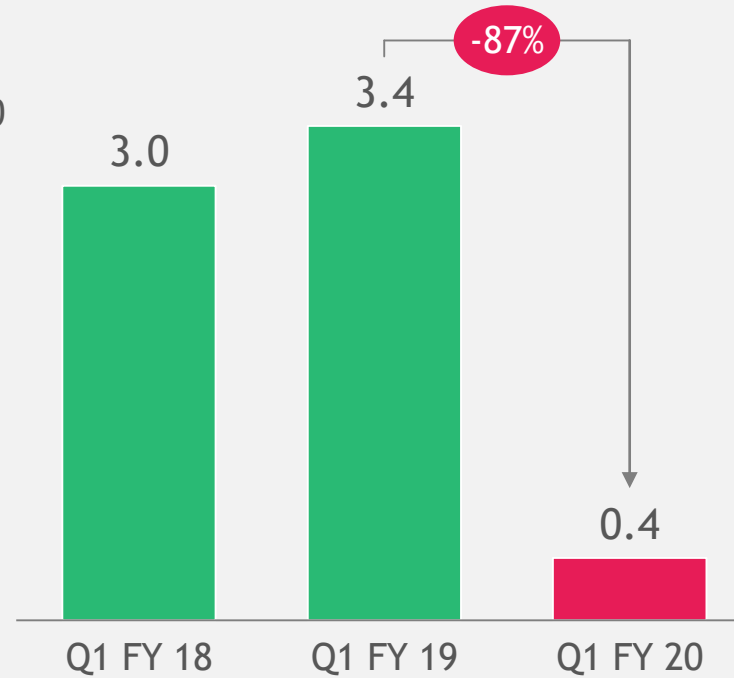
Generates jobs

# Slowdown in fresh investments as banks reel under high corporate NPAs

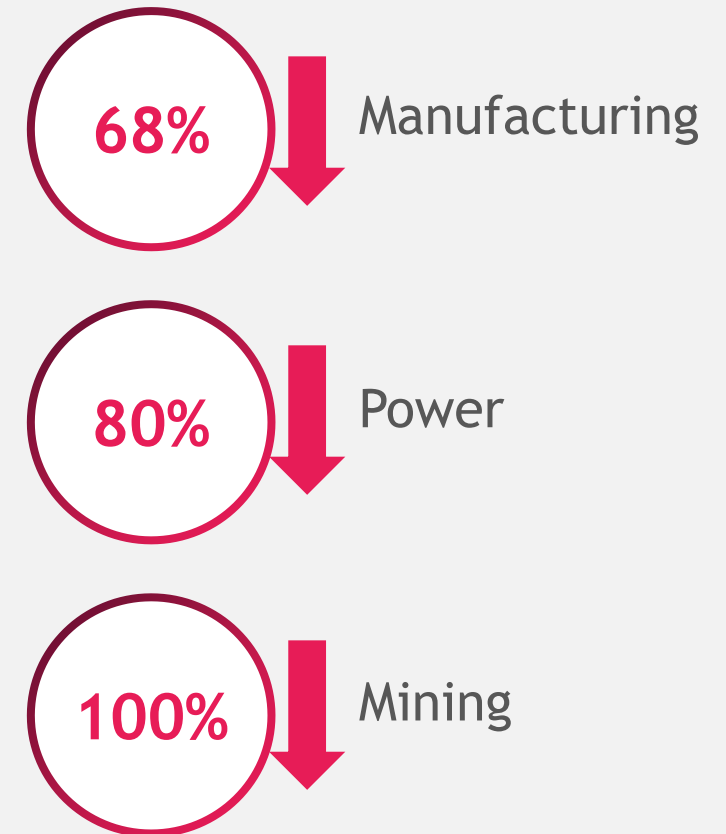
NPA in Corporate Sector continuing at high levels



87% YoY drop in new project investment



Decline seen across sectors



Note: Projects include manufacturing, electricity, mining, non financial services, construction and real estate  
Source: Center for monitoring Indian economy

# To Summarize; Three topics for discussion



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