

## Preparing the Financial Services Sector for Self-Reliant India and Inclusive Growth: Role of Board of Directors

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First of all, let me, thank IOD for inviting me. We are just through, I mean in the middle midway through the Budget Session.

Let me just begin by saying that I think these are great times for the financial services sector. If you have closely watched and observed the various announcements that have been made in the Budget, and the last few years, the kind of reforms and the kind of growth that the financial services sector has seen is definitely very encouraging.

I would begin with the financial inclusion sector in the country, where you know there has been phenomenal growth in the last 6 years. People who did not have a bank account, today more than 41 crore men and women, mostly women have joined the formal banking system with the opening of the Pradhan Mantra Jan Dhan Yojana, PMJDY. Similarly, those segments of the society which are the bottom of the pyramid, today they

are all covered with a micro insurance scheme and more than 30 crore people are insured either with the life cover of Rupees Two Lakhs or with an accident cover up to Rupees Two Lakhs.

So, what I am only trying to hint at is that we have tried to bank the un-banked. We have reached out to those segments who were not secured. So, we have tried to secure the unsecured, and also through a flagship program, the *Pradhan Mantri Mudra Yojana* trying to fund the unfunded. So, these are the 'three pillars' on which this financial inclusion started in this country in somewhere around 2014 and there onwards it has not looked back. It has grown from strength to strength, and today this 41 crore accounts have a bank balance, cumulatively put, more than Rupees One Lakh Thirty Thousand crores.

If you look at the banking infrastructure, that has also grown within a short span

of time. The banking correspondents which are popularly known as the *Banking Mitras*, is a case in point and every village within a radius of 5 kilometers, has a banking outlet either by way of an ATM or a bank branch, a brick and mortar branch, or a banking correspondent. Now, the Banking Correspondent is fully empowered to render a variety of services - opening up bank accounts, remittances, payments, updating their bank accounts and so on and so forth, and they are all digitally connected through the Aadhaar enabled payment systems. So, over a period of time, if you look at the payment systems in this country, the UPI is the case in point, and a lot of countries are showing great interest to learn from the experience of India, not alone the journey of financial inclusion but also as far as the digital payments are concerned.

What has happened over a period of time is that today we have more than

130 crore bank accounts, a similar number of mobile users and almost 130 crore Aadhaar numbers have been generated, which we popularly called as the JAM Trinity, the Jandhan and the mobile, it is like a digital pipeline which has been laid, so that all the benefits that the government intends to put directly into the hands of the beneficiaries, now able to flow within a few hours. I put money into their account in the morning, evening they have their bank accounts updated, they receive an SMS and they are able to draw that money. This was not something we had thought, 6 years ago that this could be possible. So, with this strong digital pipeline has been laid.

I think we have to now build on from here, to empower those segments of the society which are productive, who can really contribute in a big way to the economy, more so women, who can really be a key contributor to the growth of the economy. They have to be further pulled up. So, a variety of interventions by the government like the Self-Help Group Program and the *Pradhan Mantri Mudra Yojana* are all attempts to reach out those sections of the society by way of providing them livelihood and income generating activities, and a number of such initiatives is also backed by an interest subvention, thereby making the credit availability at an affordable rate.

I am very happy to also share with you that all this have shown wonderful results and particularly during the Covid. The real test was that how we could transfer money into the hands of women, PMJDY beneficiaries and the Kisan. Due to the *Pradhan Yojana*, the monies actually reached them when they needed it most.

So, what my submission here is that financial services are in for a great time and there is so much of technology whether it is Artificial Intelligence, the Blockchain or Machine Learning. Fintech is something which is so exciting and there are so many innovative

technologies coming into the space of Fintech, whether it is banking or insured tech, whether it is insurance, there is something. I think all the participants today should take note of and how do we onboard them, in order to not only grow your own businesses, whether they are insurance or banking but also help the economy grow, the country grow, and the people have a better livelihood and better income generating activities.

I will just touch upon the Public Sector Banking System or the overall banking system in the country. It has been quite stable despite Covid. What was being earlier projected, that there will be serious trouble for the banks, those outlooks from time to time have been corrected by the various rating agencies, by the analysts and even the central bank. Also, based on whatever projections they had made initially and also a further assessment of the stress scenario, they have also made corrections. We hope this trend continues and the banks or the financial system in the country continues to be stable and robust and render services to the country.

So, now the interest is at all-time low, that is a great opportunity again for businesses and private investments to come in and thereby you know the multiplier effect on the economy. Infra development is something which is a top most priority of the government and we have a large infrastructure pipeline which we call the National Infrastructure Pipeline of 100 lakh crores of projects which we want to implement in the next 5-7 years for which the budget announcement has clearly stated that a new institution, the Development Financial Institution for Infra Financing is something which we are going to quickly establish. So, this will be backed by a statute.

This national bank for infrastructure finance will not alone provide the financing and various kinds of innovative financing but also play a

major key developmental role. What I mean by developmental role is help any entrepreneur or a contractor or an investor to do their project structuring, to do the financial closure, whether it is a roads project or a highways project or a freeways project or report or anything for that matter, which is in the ambit of infrastructure, so that they are able to quickly get their financial closure.

We expect that a lot of funds capital which are not finding appropriate avenues to invest, for example, the insurance fund which is a long tail capital, which you invest here and there. So, I think they will have an avenue to now invest their money in infrastructure projects through this national bank or otherwise and similarly the pension funds also a huge fund size of fund that can also be invested. Sovereign wealth funds and a variety of other funds can come and this country is looking at infra push in a big way and this is one of the announcements which we are going to implement very quickly, the other important piece as far as insurance is concerned.

Again, insurance has seen a lot of traction. The insurance penetration has also which were about 7-8 years ago, in the range of 2.22% to 3%, today, it has gone up to 3.7% both in the life and non-life, has seen growth but there is plenty of opportunity for it to grow further. A large segment of population still does not have an insurance cover. LIC has been the leader and as you all know that LIC is also going for a listing and I am sure with this step of the government the LIC will be able to be, I mean they will have a better governance structure, and at the same time enhance value for its shareholders and they will continue to grow further so insurance penetration and density is something we should very closely watch. That only suggests that there is plenty of opportunity for the insurance companies to grow and more number of insurance companies to come and invest in this country.

Keeping that in mind, we have announced in the budget that we are going to open up the insurance sector for FDI – the limit from the existing 49% it goes up to 74% and at the same time, the Indian control which was one of the conditions is now being detached. So, there will be no Indian control other than a few safeguards, it will be completely free for the foreign investors to come in, set up a new company or put in company money in an existing company, and they will be able to also have control, if they have the requisite percentage of share in the insurance company and subject to the approval of the Regulators.

I think with FDI, I expect that new technologies will come in there will be better products which they will bring in. There will be better practices which will come from across the world. And lastly, it will only lead to enhancement of customer services so the insurance sector which I feel still has a major role to play not only in terms of insurance penetration and density but i think from

the business point of view from the investors' point of view. This is a tremendous opportunity. So, be on the lookout for the moment the Act gets amended and the notification for FDI is issued. I think the insurance players should be keenly watching and they should grab this opportunity of investing in the insurance companies. Now, as far as pensions funds are concerned, which is also one of my subjects, you know pension we have a regulator now a full-fledged regulator for pensions which is the Pension Fund Regulatory and Development Authority. And, we have something called a National Pension Scheme which is available for the government employees and also for all citizens so that is also something we are now going to strengthen further. Today they have a corpus of more than rupees five lakh crores with an annualized return of more than 10-11%.

So, pension is also something where I think has great opportunity in this country given the size of its population

and given the demographic features. In order to make the people less dependent on the state and rather be on their own through a pension scheme is something we are looking at and a number of initiatives have been taken by the government to provide, some kind of succour as far as people to join the pension schemes like a case in point again is the Atal Pension Yojana where a small amount of subscription is made and a monthly payout of a fixed amount, which is guaranteed by the government is provided through the scheme. So, the banking system, the insurance system, and the pension system are in place with regulatory bodies. I would say that a lot of stability comes by way of the systems that have been put in place and therefore the investors' confidence also gets enhanced that we have a strong and robust system in this country, and therefore, they should be very much enthused to come and invest in a country which not only has a market but also a huge potential in terms of growth. ■

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