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## SWAVALAMBAN CHALLENGE FUND - Series III

### Increasing Digital Footprint

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#### Context/Background

Financial inclusion is one of the key enablers for economic development as well as for achievement of social and community development goals. With the advancements in applications of digital technology in delivery of financial services, the next level of development in financial inclusion of the unbanked and underserved segments is expected to come through technology-based models. Over the past decade, India has seen several innovations in digital financial services with an evolved digital ecosystem including digital highways, a responsive regulatory framework, and a base of universal access to bank accounts. It is an opportune time to invest in making these digital innovations work for offering financial services to the underserved segments through viable, cost effective and customer friendly models.

Several financial institutions working with BOP segment face challenges capital for investing in testing and scaling up products / solutions due to high cost of technology, iterative process of integration, training of staff, capacity building of customers etc. Availability of dedicated funding is expected to encourage and spur innovations, contributing to creation of successful models that can be replicated and adopted at scale.

#### Objectives

The main objective of this challenge fund is to support innovative ideas from institutions who believe that their idea can lead to larger impact by deploying digital technology for addressing barriers to access of financial services and for improving financial capability and health of low-income communities or in underprivileged geographies. The Fund aims to attract ideas that strive to move the needle in financial inclusion by creating cost effective digital models that make financial services 'accessible', 'understandable', 'user friendly', 'affordable' and 'relevant' for underserved segments.

## Our Approach

The SCF Series III invites applications from financial institutions, NBFC/NBFC-MFIs, Business Correspondents, fintech companies and start-ups, development organizations/NGOs, and technical agencies on ideas that offer viable and scalable solutions for promoting financial inclusion through application of digital technology and footprint.

The Fund will support project ideas under two categories

**A. Pilot Category** : Under this category, applicants can apply with their proposal to pilot/test their innovative ideas

**B. Scale-Up Category** : Under this category, already ongoing/completed projects/models implemented by the applicants will be considered for scaling up after a thorough due diligence.

For both the categories, applicants will be assessed based on a set of parameters and awarded with fund support to carry out the project.

SIDBI is the sole facilitator for SCF that envisages a fully digitized competitive challenge to fund innovative ideas aiming for betterment of the society. SCF has been designed, run, and monitored by SIDBI with support from FCDO. To keep a competitive standard measure, global good practices are adopted in order to operationalize this fund.



## Thematic Areas

SIDBI is inviting applications for projects under the following themes within the broad scope of promoting financial inclusion through digital adoption.

- Demonstration of techniques to encourage and promote digital transactions - In addition to reduce use of cash, adoption of digital financial transactions enables unbanked/BOP segments to become part of the formal financial system and create a digital footprint which can be leveraged for offering other financial products.
- Innovative and client friendly mechanisms to capture digital footprint/journey of clients - Models that have ability to capture data of digital journey of BOP segments/households while ensuring customer and data protection, need to be developed and tested, and eventually offered as products/solutions.
- Promoting client level awareness and capability for digital adoption - This is a fundamental requirement to enable customers to understand the fintech products and processes, make right financial choices and decisions, and use products with confidence.
- Creation of products and services - Develop more nuanced product offerings for specific customer segments across the spectrum of financial services - savings, credit, insurance, payments, pension, investments - using applications of digital technology.
- Alternative credit scoring - Use of digital financial footprint and other digitally available data for identifying potential customer and credit underwriting and decisioning thereby reducing costs, turnaround time and offering credit to businesses with no formal credit history.
- Digitization of processes - Use of technology in processes/operations of financial institutions across financial services- such as for customer acquisition, customer relation, application, due diligence, processing, transactions, claims settlement, etc. - with the aim of reducing costs, managing risks, improving efficiency, and providing better customer experience.
- Tech platforms for financial institutions - Conceptualising and developing demonstrative models with potential for scaling up aimed at bringing MFIs on digital platform irrespective of geography, region, client strength/base, etc.

