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EMPOWERING TIMES

THINKING ALOUD
The Missing Link in Development: Financial Inclusion & the Opportunity for ATMs - Jay

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Interview with V. Balasubramanian - President - Transaction Processing & ATM Services at Financial Software and Systems (FSS)

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Switch: How to Change Things when Change is Hard - Chip & Dan Heath

STANDING OVATION
Sense International (India), Ahmedabad, Gujarat

Dear %field:title% %lastname%,

Last month, the Reserve Bank of India gave in-principle approval to 11 entities to open payments banks in the country, a move welcomed by all and is the very first of its kind that a central bank anywhere in the world has given licences to banks that only offer deposits. This is indicative of the evolution of the Indian banking and financial sector which has transformed over the past few years with the help of various initiatives and reforms which have facilitated both deepening and broadening of these sectors.

FIGURE OF SPEECH

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SORRY BUT ALL OUR MONEY IS IN THE ATMs

Though progress has been made, a significant gap is present. Dearth of banking infrastructure in rural and semi-urban centres has hindered the common man's availability of financial and banking services for himself. According to statistics, the Indian sub-continent is far behind other developing economies in terms of physical banking infrastructure, with just 12 bank branches and 13 Automated Teller machines (ATMs) per 1,000 adults, compared to say, emerging market Brazil, which has four times as many branches and 10 times as many ATMs per 1,000 adults! Taking matters to another level, lack of access to formal banking in many parts of the country, has resulted in the unbanked population to resort to unregulated entities for their financial needs.

Nevertheless, on the brighter and positive note, analysts have forecast the growth of ATMs in the coming few years as the Indian government aims at engulfing the large uncaptured masses in its financial inclusion plans. For years, these machines carried out the role of cash dispensation but today, these ATMs have started offering different types of services than ever before. Move over conventional ATMs. Read Chennai-based Vortex Engineering's Gramateller ATM, for instance, which can run on solar power, has a built-in uninterrupted power supply, doesn't need air-conditioning, prints receipts in regional languages, and is designed to work in extreme temperatures and can operate through biometric authentication!

It will be only a matter of time (technology and innovation), when the country will have as many ATMs, performing many functions than before, and will be on par with other developed nations. This month on ET, therefore, we look at the 'Growth of ATMs in India.'

In **Thinking Aloud**, Jay discusses the evolution of the Indian banking and financial services sector. Various schemes under the government's financial inclusion programme and other central bank's moves have helped in addressing the gaps in the current financial system of the country. Closer to consumers, ATMs have also come a long way to meet growing demand.

On the **Podium**, Mr. V. Balasubramanian discusses about the spurt in the growth of ATMs in India. He is of the opinion that ATMs play an important role in bridging the gap between banks and the unbanked population. On the other side, India lacks the much needed ATM infrastructure and as such these infrastructural and operational challenges have hindered the growth of the ATMs in the country.

In **We Recommend**, we review best-selling authors Chip & Dan Heath's book 'Switch: How to Change Things when Change is Hard.' It is a known fact that change is hard and time consuming. Through extensive research, the book explains how to embrace change through a Rider-and-Elephant metaphor, where the Rider, the rational brain, tries to guide the Elephant, the emotional side, towards the goal. One needs to address these components by creating a supportive environment, setting clear and actionable goals, while appealing to one's emotions.

In **Standing Ovation**, we present Sense India, the only organisation in the country developing services for deaf-blind and multi-sensory impaired children and adults, since 1997. It aims to ensure that all deaf-blind people have access to education, advice and support, so they can become full and active members of the society.

In **Figures of Speech**, Vikram's toon knows where to put his money in!

And, I am sure you would have noticed a change in our e-zine this month! With the help of our creative minds - Vikram & Sonali - we have re-designed our monthly e-zine to give a fresh, new appeal. We hope you enjoy our new look!

As always, we value your opinion, so do let us know how you liked this issue. To visit our previous issues you can visit the Resources section on the website or simply Click Here. You can also follow us on **Facebook**, **Twitter**, **Linked In** & **Google+** - where you can join our community to continue the dialogue with us! For smartphone and tab users, please Click here to continue reading Empowering Times.

THINKING ALOUD

The Missing Link in Development: Financial Inclusion & the Opportunity for ATMs - Jay

There is much buzz in the financial markets of late. And, I am not referring to what the press likes to call the 'Chinese melt-down'. That the Chinese economic sphinx may not reveal much has been no secret, with widespread distrust of economic statistics offered by the Chinese government. While economists have always argued about statistical data from all quarters ('my data is better than yours' is an old game), the opaqueness of Chinese official information has been uniformly condemned for long. What is interesting to us is the slow (and perhaps, tepid) but visible steps to modify the financial landscape of the Indian economy.

That we have always remained a cash economy is a well-known fact. With the tax net not being wide enough to include agricultural income, we will continue to operate with cash as the primary mode of economic transaction. Different governments have made cursory attempts to rectify this anomaly. And yet, with the calls to become a global economic power getting shriller, there is no denying the need to create a robust banking and economic infrastructure, which would enable a larger section of the population into the formal financial processes of the economy. The term, 'Financial Inclusion' is an umbrella term that covers many elements of this formalization of induction of a new segment of population to the opportunities created by joining the ranks of the modern financial systems of the economy. This could take the form of participating in the modern financial

practice of having a Bank account (with its associated benefits of becoming part of the formal economy) as against the traditional practice of hoarding cash or locking it up in other asset forms (be it property, gold, animals, etc.), and becoming open to the wonders of Insurance (Life, General, etc.). From the clutches of the local moneylender the rural citizen today can opt for other avenues to fund himself at times of need, and the hazy promise of social security which the government is attempting to fulfill, too can perhaps become a reality one day soon.

The Pradhan Mantri Jan Dhan Yojana has undoubtedly been a seminal step in opening the floodgates of the financial inclusion process. The simple savings account has become the precursor for Pension & Insurance schemes and of course an opportunity for transfer of cash subsidies which otherwise trickled down to the helpless recipient at the bottom of the pyramid after filtering through multiple corrupt layers of slumbering and inept bureaucracy. Remember the sorry words of former Prime Minister Rajiv Gandhi that for every Rupee sent to the common man, only 17 Paisa reached him! A bank account is the first step in addressing this huge gaping hole in the economic process of a modern country.

The Reserve Bank of India's recent moves to permit new Banks to operate and also innovatively create a new category of Payment Banks are also creditable bold steps to change the landscape. The next big wave of change will happen when the GST bill will be passed (perhaps, later than sooner!) and the government finally allows mergers and acquisitions in the Banking sector (they have been hinting at this step but have refrained from being bold enough to bite the bullet).

Another key lever in the change process is harnessing technology. While the mobile wallet is already here (notice the rapid growth of Paytm, and its ilk), an easier access point would be Automated Teller machines (ATMs). Two major elements for efficiency of a Bank will be managing costs and delivering variety of services. Both will be critical to their success in the face of increased competition from a crowded field of players as mentioned earlier, and the rapid changes caused by the growth of web-based business models.

This is where we can clearly see the opportunity for the rise of ATMs in India, which today are multi-functional machines and not just plain cash dispensers. Reports have indicated that the growth trajectory will continue to be extremely positive and the number of ATMs will reach 200,000 by 2016. The rapid growth - fueled by regulatory changes and the government's positive measures - will take the ATMs into new locations in Tier-2 cities & Tier-3 towns across the length & breadth of the country.

Interestingly, a noticeable shift is that Banks are now open to new operating models for ATM operations: from proprietary ownership to shared ownership and/or management or even working with independent owners. The last few years has seen the emergence of a new entity called White Label ATMs (WLAs, as they are known in the industry). An authorized non-banking player, WLAs will grow exponentially, experts believe. The pioneer White Label operator in India is

Tata Communications Payment Solutions Limited (TCPSL) who launched their offering, 'Indicash', on 27th June 2013 in Chandrapada, a village located in Vasai-Virar, off Mumbai. With the quest to reach newer access points for the unbanked or the under-served customer, many others (SREI infrastructure, Muthoot Finance, etc. to name a few) have come into the fray. Indicash's dominance (66% market share) is expected to be challenged and the sector will see a huge fillip with the government's announcement this week to allow 100% automatic Foreign Direct Investment (FDI) to this industry.

This is good news all around: for the consumers (where the Banking services comes closer to you), for the Banks (with new customer acquisition possibility), for Service Providers (for managed services, be it Brown or White Label), and also to ATM manufacturers (the likes of NCR, Diebold, Wincor, etc.) who are now building the machines in India to meet the growing demand.

It has been a slow growth in the ATM industry from the first ATM in India, HSBC in 1987, to now, with about 1.70 lakh machines, but the coming years should see greater excitement for all the players. And, that is certainly good news for the citizen and the Indian economy!

PODIUM

Interview with Mr. V. Balasubramanian - President - Transaction Processing & ATM Services at FSS

Mr. V. Balasubramanian

Mr. V. Balasubramanian is President - Transaction Processing & ATM Services at FSS. He has been with FSS since October 2013 and has brought forth 30+ years of cross functional experience in project management manufacturing, business process re-engineering, consulting, P&L management across various industries. He plays a strategic role in project management and delivery as well as business expansion and market leadership. Bala is a graduate in Mechanical Engineering and a post graduate diploma in Industrial Engineering. He also holds a diploma in Materials Management and OWP from IMD, Lausanne.

ET: Please tell us about the growth of Automated Teller Machines (ATMs) in India.

VB: According to a recent research report released by the market research firm, Ken Research, the number of ATMs in India has increased from 43,651 (FY'09) to 160,055 (FY'14). Some significant reasons for the spurt in this growth are the outsourcing of ATM services by banks and the increase in the number of White Label ATMs, which has led to the growth of the number of ATMs in the country. Also, the opening of more than 170 million accounts under the Pradhan Mantri Jan DhanYojana scheme is another game changer.

With the government's thrust to reach out to the unbanked, ATMs today can play an important role in bridging the gap between the banks and the unbanked population. Increasing card base and the innovative services offered by banks to their customers like paying bills, money transfer, checking the account balance at any time etc., has led to the increase in the volume of transactions, which has in-turn impacted the growth of ATMs in the country.

ET: It is said that India has a poor ATM penetration rate. Do you agree? What are the various challenges hindering the growth of ATMs?

VB: Yes. India lacks the much needed ATM infrastructure. We have about 74 ATMs per million of the population, while China has 200 ATMs per million of the population. Most villages having 2,000 or lesser head count in the country today do not have ATMs - the nearest ATMs often being located in towns, which are a 10 to 15 minute bus commute away.

In metros, especially among youngsters, there is a growing trend and affinity towards digital banking and the acceptance for virtual wallets is increasing. While we are unable to see any immediate impact in the ATM transactions, there are strong predictions that it may affect in the long run. However in rural India, the infrastructural and operational challenges have hindered the growth of ATMs. In addition to this, there is a lack of awareness among rural customers. Sharing of ATMs by banks, creation of better power and road infrastructure and initiatives to educate rural people to transact will help in resolving some of these initial challenges.

ET: 'Financial inclusion' is the new goal for the banking industry. How can ATMs contribute to this goal?

VB: Banks have tried different branch models in the past, including micro-banks, but many are now convinced that there is a need for a bold re-imagination of rural branches in order to bring banking services to India's 600,000 villages.

Needless to say, technology has to be a core component for financial inclusion solutions. Today the "Facilitated Branch" is a hot topic of discussion in banking technology. Facilitate Branches are well-connected, ATM-centric urban branches that, with just one or two staff members, can provide the entire gamut of services to customers.

My thinking is that we need to conceive a Facilitated Branch model exclusively for rural India. Call it the "Facilitated Rural Branch" (FRB). This technology-driven model can offer not only banking services to rural customers but also payment solutions to retailers who currently are unable to accept cards for want of connectivity and settlement mechanisms.

FRBs can be one-person branches equipped with versatile ATMs and video conferencing facilities designed for India's tier III cities, towns, villages and remote settlements. Compared with a conventional branch, setting up an FRB should cost less - because it can be customized to suit the requirements of a given location. ATMs used in this format will contribute and serve to a wider populace.

ET: The next wave in Technology is supposed to be the Digital Wallet & the Internet of Things (IoT). In your opinion, how will these elements impact the ATM business?

VB: Digital wallet and Internet of Things will not dethrone ATMs, but banking in cities will become more digital going forward. Today, there are sufficient number of ATMs in the cities and the banks are now focussing on making ATMs available for new account holders under the Pradhan Mantri Jan Dhan Yojana scheme. With more than 150 million Rupay debit cards being issued under this scheme, the number of transactions are expected to increase manifold, this fuelling the growth of the ATMs in the country in the coming years.

ET: Please tell us about your company, Financial Software and Systems (FSS), and in particular about your ATM services.

VB: Financial Software and Systems (FSS) is a leader in payments technology and transaction processing, offering a diversified portfolio of software products, hosted payment services and software services built over 24 years of comprehensive experience across payments spectrum. Headquartered in Chennai, India, the company services 100+ customers across the globe, which include leading public and private sector banks in India and some of the large banks, FIs, Processors and Prepaid Card issuers are customers of FSS across North America, UK/Europe, ME/Africa and APAC and has a team of over 1,700 experts serving the clients across the globe.

FSS, through its innovative products and services, caters to the wholesale and retail payments initiatives of leading banks, financial institutions, processors, merchants, governments and regulatory bodies. Its end-to-end payments suite powers retail delivery channels such as ATM, PoS, Internet, Mobile and Financial Inclusion as well as critical back-end functions such as cards management, reconciliation, settlement, merchant management and device monitoring.

ATM Services: FSSNeT, the hosted payment business of the company is the largest independent processor in the country powering 6 million transactions per day, providing faster and smarter payment solutions to billions of people across 7,000

villages and cities in India. The wide range of services offered include ATM/PoS switch services, ATM managed services, card issuance and management, PoS services including mobile PoS and micro ATMs, internet payments, financial inclusion, mobile banking, wholesale payments and a multitude of value added services.

The ATM division of FSS today manages 30,000 ATMs in India. FSS provides end-to-end portfolio management of ATM networks and assists banks and financial organizations by ensuring high availability and increased Return on Investment (RoI). FSS ATM Managed Services portfolio includes ATM monitoring, trouble-ticketing, first/second level management, cash management and support services. A round-the-clock facility with competent management team ensures high ATM availability with committed Service Level Agreements (SLA).

WE RECOMMEND

Switch: How to Change Things when Change is Hard - Chip & Dan Heath
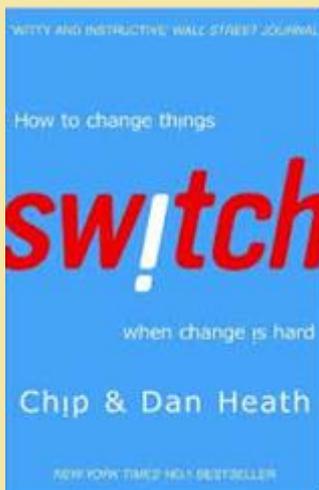
Authors Chip & Dan Heath in their book 'Switch: How to Change Things when Change is Hard' describes how one can change things when change in itself is very hard.

Providing a different perspective of change, the authors put forth various examples and situations at the individual, organizational, and societal levels, through two metaphors - the Rider (the rational side) and the Elephant (emotional side).

In order to facilitate change, remember (read: three surprises about change):

1. To change someone's behavior, you have to change that person's situation
2. What looks like laziness is often exhaustion
3. If you want people to change, you have to provide crystal clear direction

Both the Rider and the Elephant are responsible for making decisions, react to surroundings, and create change. The Rider atop the Elephant holds the reins. One may conclude that the Rider always controls the Elephant, but in most cases it's the other way around! The book provides a guide on how to be on the same page with your emotional and rational side. Successful change comes down to

three basic tasks: directing the Rider, motivating the Elephant, and shaping the path (the environment).

When the Rider, who is a thinker, a planner and can plot a course for a better future, directs the Elephant, the path may not always be clear. It is recommended to seek out individuals or situations (bright spots) where change has been created successfully. The authors also talk about solutions-focused brief therapy which is about digging around for clues about why one acts the way they do, instead of asking about every detail of the past, so as to bring about a change. When both the Rider and the Elephant work together to move in the same direction, change can come easily.

Concepts such as "growth mindset," which will help one conquer more challenges and not think so much about failure, helps the Elephant to be motivated and to not give up soon. The authors acknowledge that the only way to get to larger goals is to accomplish smaller goals first (shrinking the change).

The environment also plays a critical role in the change process. The path must be shaped in order to facilitate the journey of the Rider and Elephant. Over time, when the situation changes, behaviors and habits change. Therefore, it becomes necessary to "tweak the environment" to allow for the smooth transition of the change process.

This story-driven narrative is a culmination of years of counter-intuitive research in psychology, sociology, and other realms. The authors show that successful changes follow a pattern which one can use to make the changes that matter the most.

Chip Heath is a Professor at Stanford Graduate School of Business, teaching courses on business strategy and organizations. Dan Heath is a Senior Fellow at Duke University's CASE center, which supports social entrepreneurs. The Heath brothers have worked together on three New York Times bestsellers: Decisive, Switch, and Made to Stick.

STANDING OVATION

Sense International (India), Ahmedabad, Gujarat

Sense India was established in 1997 as the first national NGO in India to support the development of all-round services and training for deaf-blind people. Currently, Sense India operates in 23 Indian states through a network of 57 partner NGOs.

The NGO provides education for deaf-blind children, vocational training and livelihood support to adults, training for families and professionals. Coupled with this, they advocate for the rights of deaf-blind people with communities, NGO networks and government to ensure that this disability does not isolate them in society and that they are able to earn a livelihood and lead a productive life.

- The NGO has devised an Individualised Educational Plan (IEP), a unique strategy that recognises and respects each child as having unique abilities and supports an educational plan that is developed around the needs and capacity of an individual child. The IEP is based on exhaustive initial screening and assessment by a multi-disciplinary team consisting of an ophthalmologist, audiologist, psychologist, special educators, occupational/physiotherapist, mobility instructor and family members. After intensive training in the special education unit, depending on their abilities children are admitted to mainstream schools alongside their sighted peers. This allows deaf-blind children to gain independence and become part of mainstream life. Since its inception, the NGO has 2,600 teachers equipped with appropriate techniques for teaching children with deaf-blindness in mainstream schools.

- Learning Centres have been established in four regions of the country to develop expertise and knowledge on deaf blindness. The Regional Learning Centres (RLCs) assess information gaps and requirements of the region and accordingly develop programmes and learning materials for deaf-blind children and adults, families of deaf-blind individuals, educators, medical practitioners, government official and general public. These materials are developed and designed in user friendly formats.

- Sense India delivers specialist services to the homes of deaf-blind children through home-based care. Home-based care includes picnics and outings, parents' meetings, and festivals, which bring neighbours and community together with deaf-blind children and their families. This helps increase people's understanding about disability, and reduce stigma associated with it.

Sense India won the 'India NGO Award 2013-14', an award which recognises professional management, innovation in local resource mobilization and the

effectiveness of the organisation's activities in improving the lives of the people it serves.

For more information on Sense India, please visit their website http://www.senseintindia.org/.

For their enlightening cause, Sense India deserves a Standing Ovation!

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