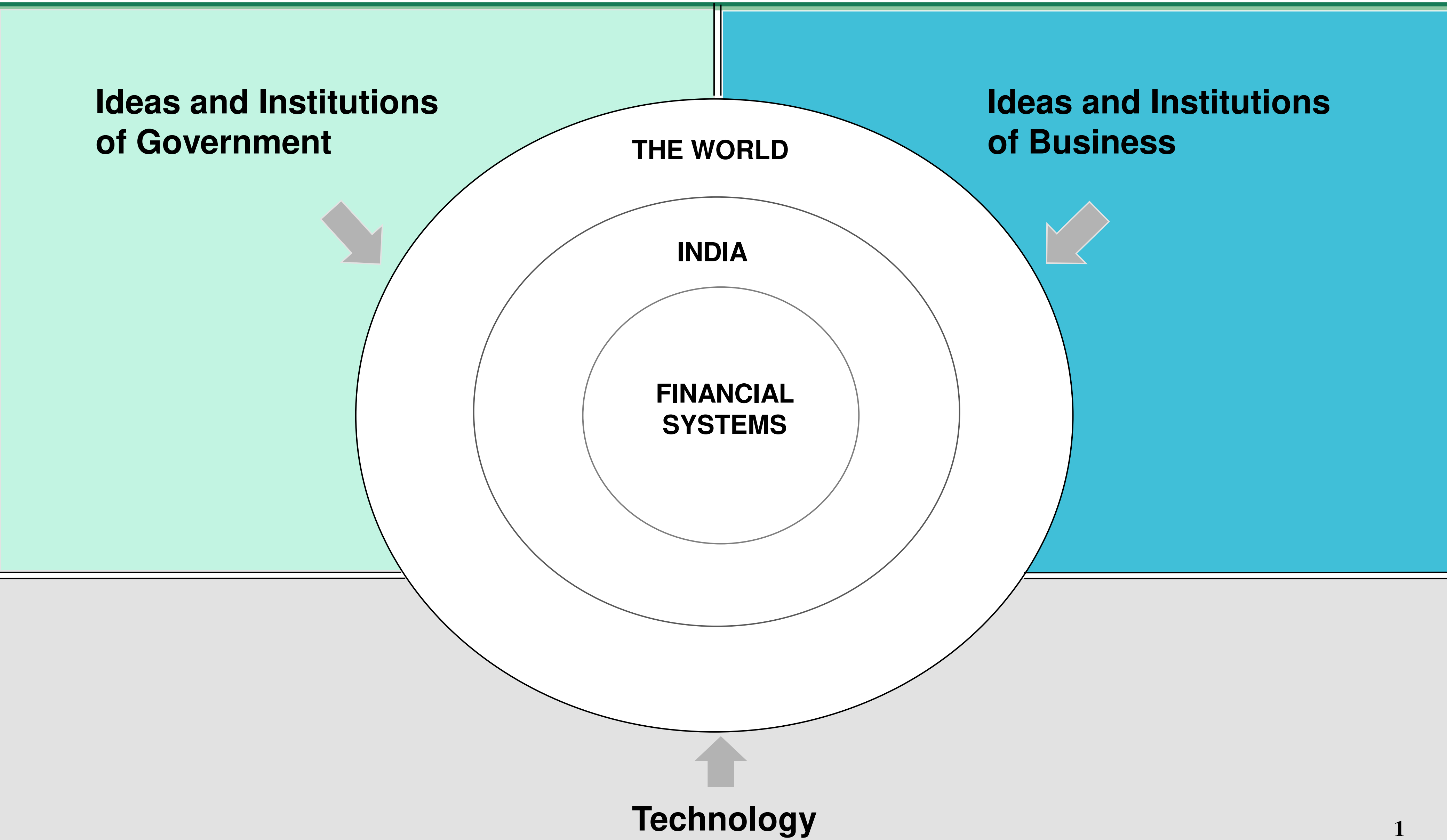
India at a Turning Point

Role Banks can Play

Arun Maira

Lonavla
02nd February, 2015

FORCES SHAPING OUR FUTURES



THE ARCHITECTURE OF INSTITUTIONS

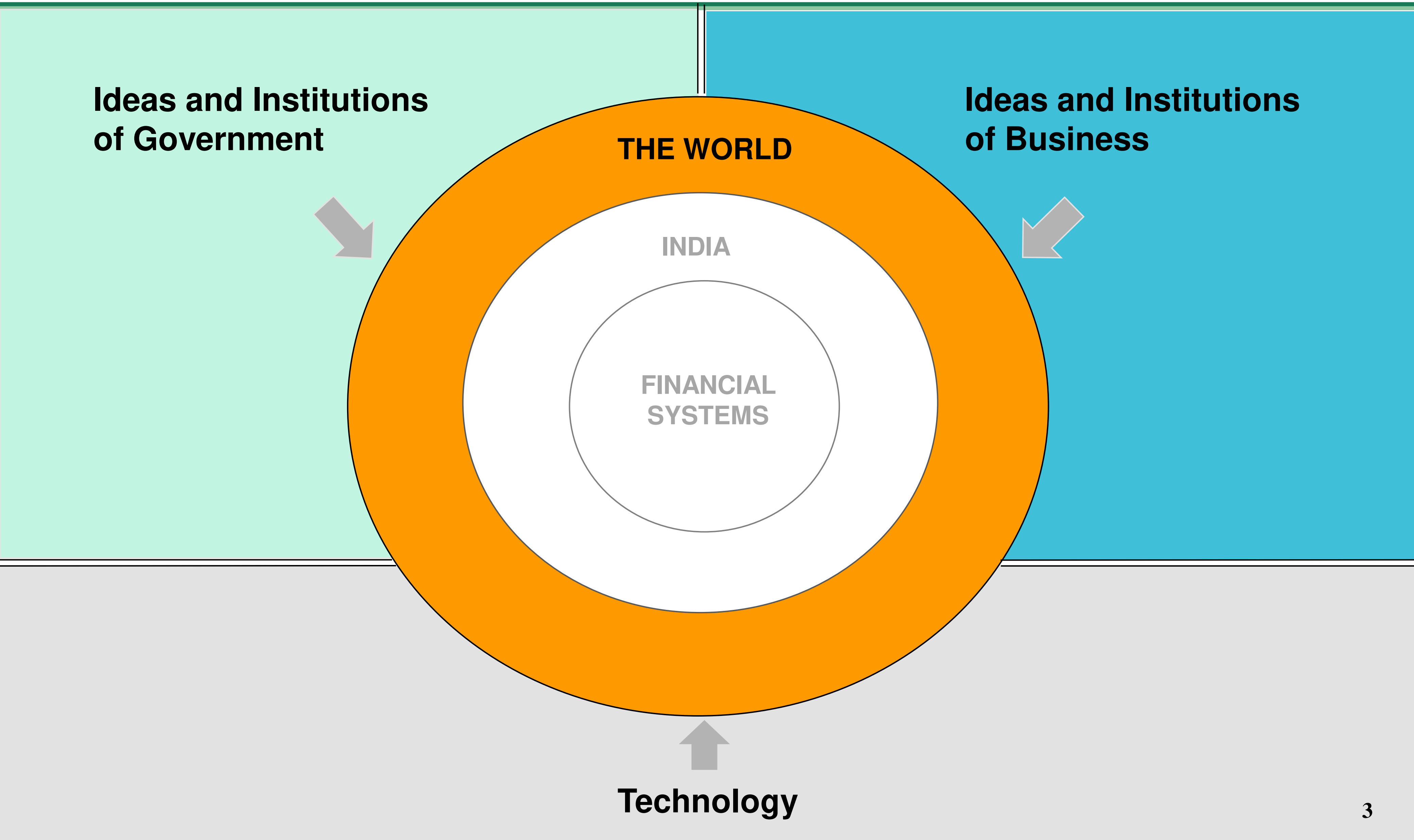
Institutions are humanity's vehicles to progress



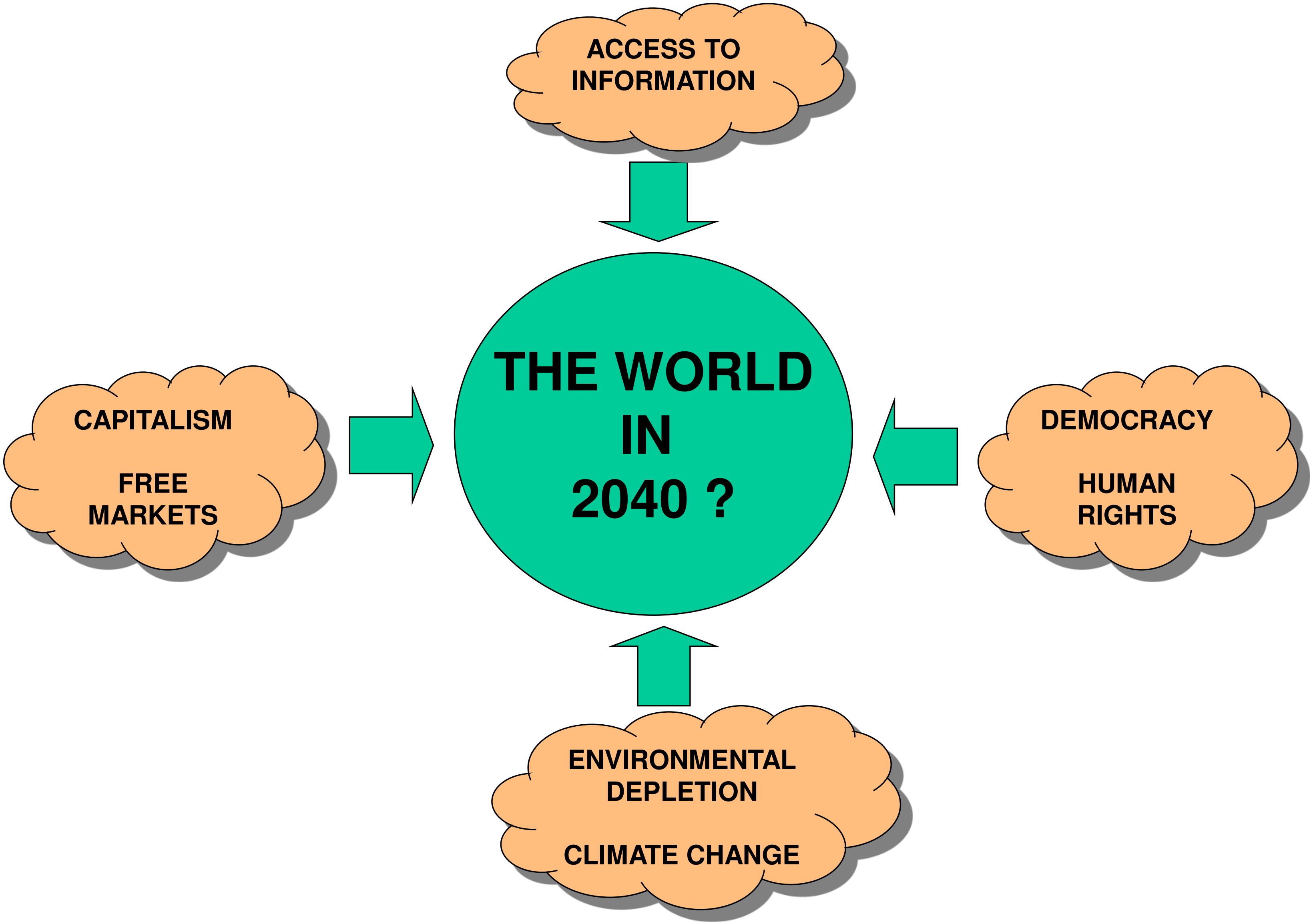





FORCES SHAPING OUR FUTURES



FORCES SHAPING THE WORLD



GROWTH NOT INCLUSIVE

Global wealth inequality: top 1% own 41%; top 10% own 86%; bottom half own just 1%*

$1 bn house = 1 Indian
No closed toilet > 626 mn Indians &
No safe drinking water > 75% Indians**

ACCESS TO INFORMATION

CAPITALISM

FREE MARKETS

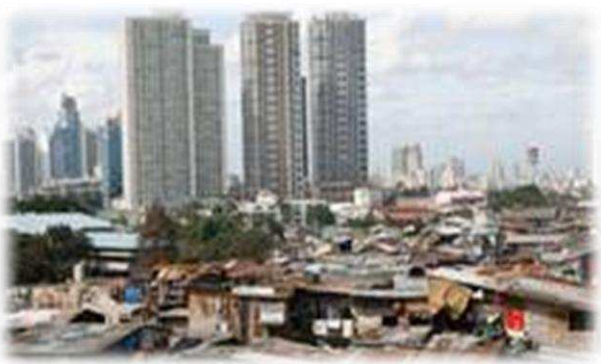
THE WORLD IN 2040 ?

DEMOCRACY

HUMAN RIGHTS

ENVIRONMENTAL DEPLETION

CLIMATE CHANGE



*Source: Credit Suisse Global Wealth Databook (2013)
** Data from UNICEF

DEMAND FOR FAIRNESS

ACCESS TO INFORMATION

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CLIMATE CHANGE

Since 1974, more than 90 countries have made transitions to democracy*

Universal Declaration of Human Rights (1949), Millennium Development Goals (2000)

*Source: Foreign Affairs Magazine

PEOPLE ARE NOT IN THE DARK

ACCESS TO INFORMATION

Number of mobile phones in India:
2000 < 5 m
2014 > 930 m

Global hits on Google:
2000 Nil
2013 > 2 Trillion

CAPITALISM

FREE MARKETS

THE WORLD IN 2040 ?

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CLIMATE CHANGE

EXCEEDING THE FOUNDATION'S CAPACITY

ACCESS TO INFORMATION

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CLIMATE CHANGE

If everyone lived like an American, which is the aspirational standard for development, we would need more than 4 earths to survive*

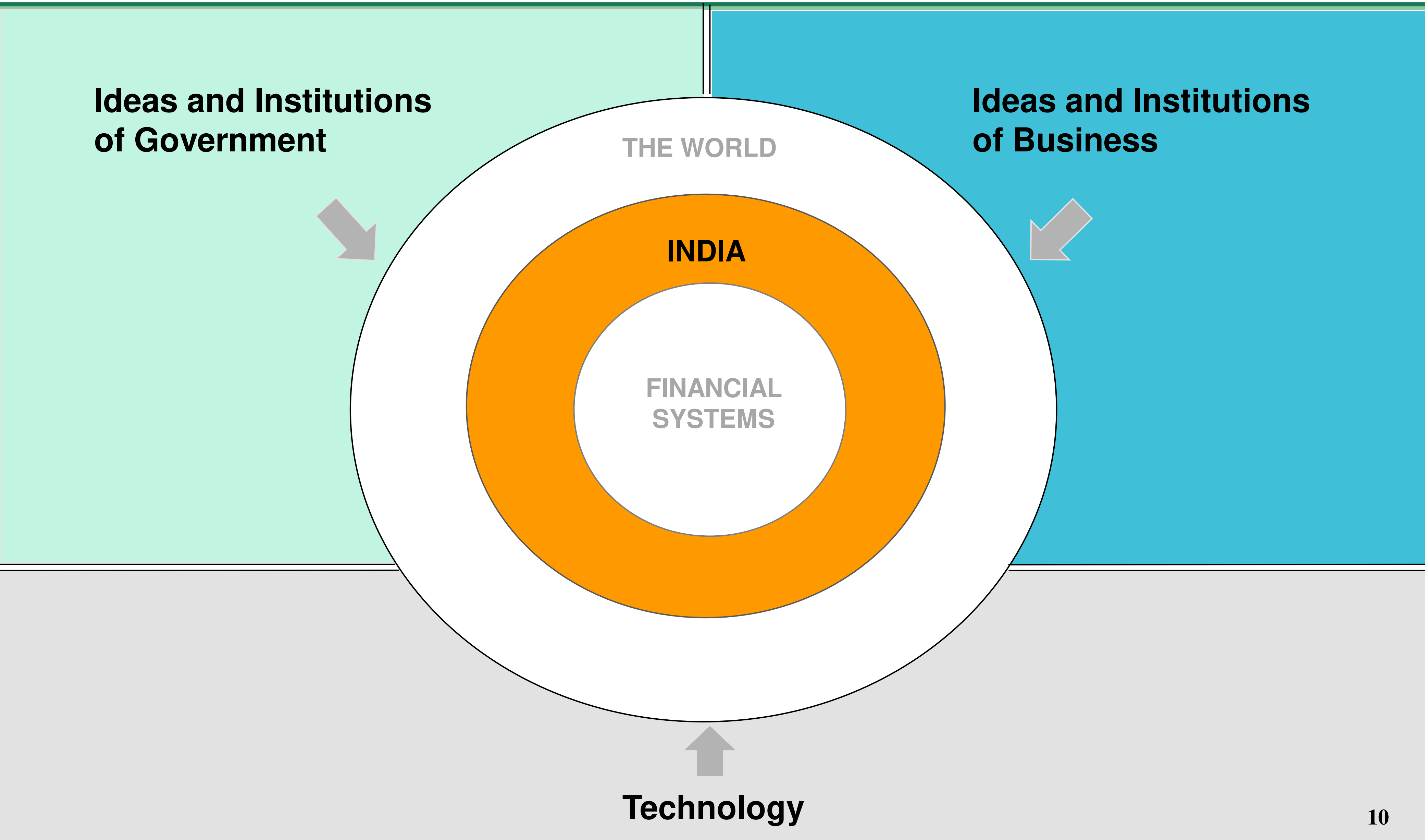
*Source: Global Footprint Network

TWO VOICES SPEAKING FROM THE STORM

1. Is this Fair ?

1. Is this Sustainable ?

FORCES SHAPING OUR FUTURES



Engaging a diverse nation democratically in the quest for sustained security and prosperity

Models of Change and Leadership

BOLLY WORLD

Integration with the world

PEACOCKS STRUTTING

WOLVES PROWLING

Exclusive growth and development

Inclusive growth and development

Isolation from the world

ATAKTA BHARAT

Integration with the world

Exclusive growth and development

Inclusive growth and development

BUFFALOES WALLOWING

Isolation from the world

PAHALE INDIA

FIREFLIES
ARISING

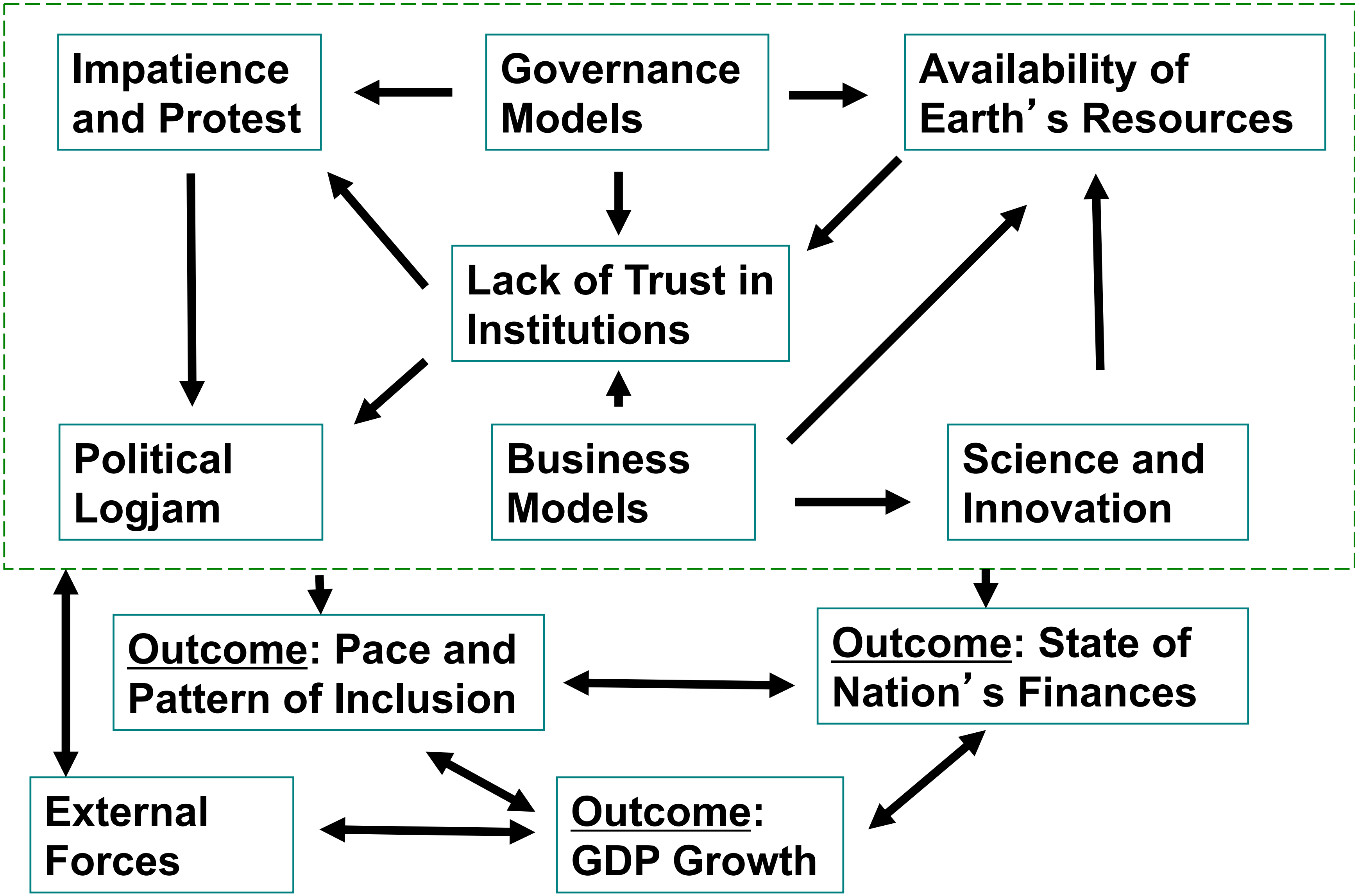
Integration with the world

Exclusive growth and development

Inclusive growth and development

Isolation for the world

THE SYSTEM MODEL AND LEVERAGE POINTS



WHICH SCENARIO WILL EMERGE?

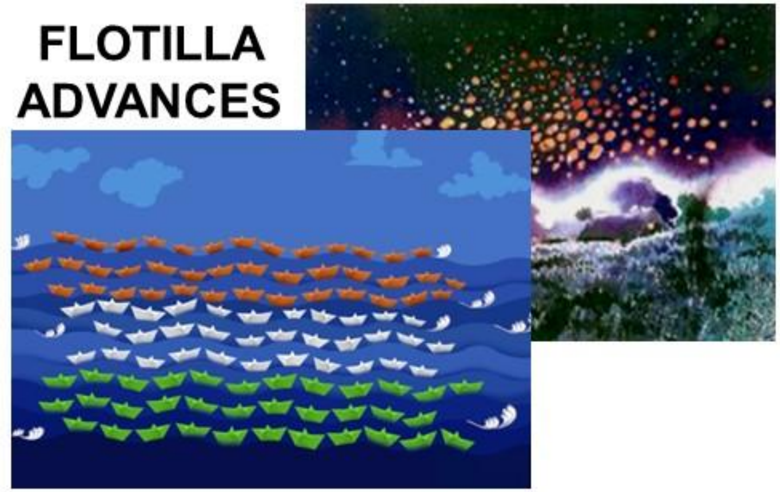
PEACOCKS STRUTTING

WOLVES PROWLING

MUDDLING ALONG

FIREFLIES ARISING

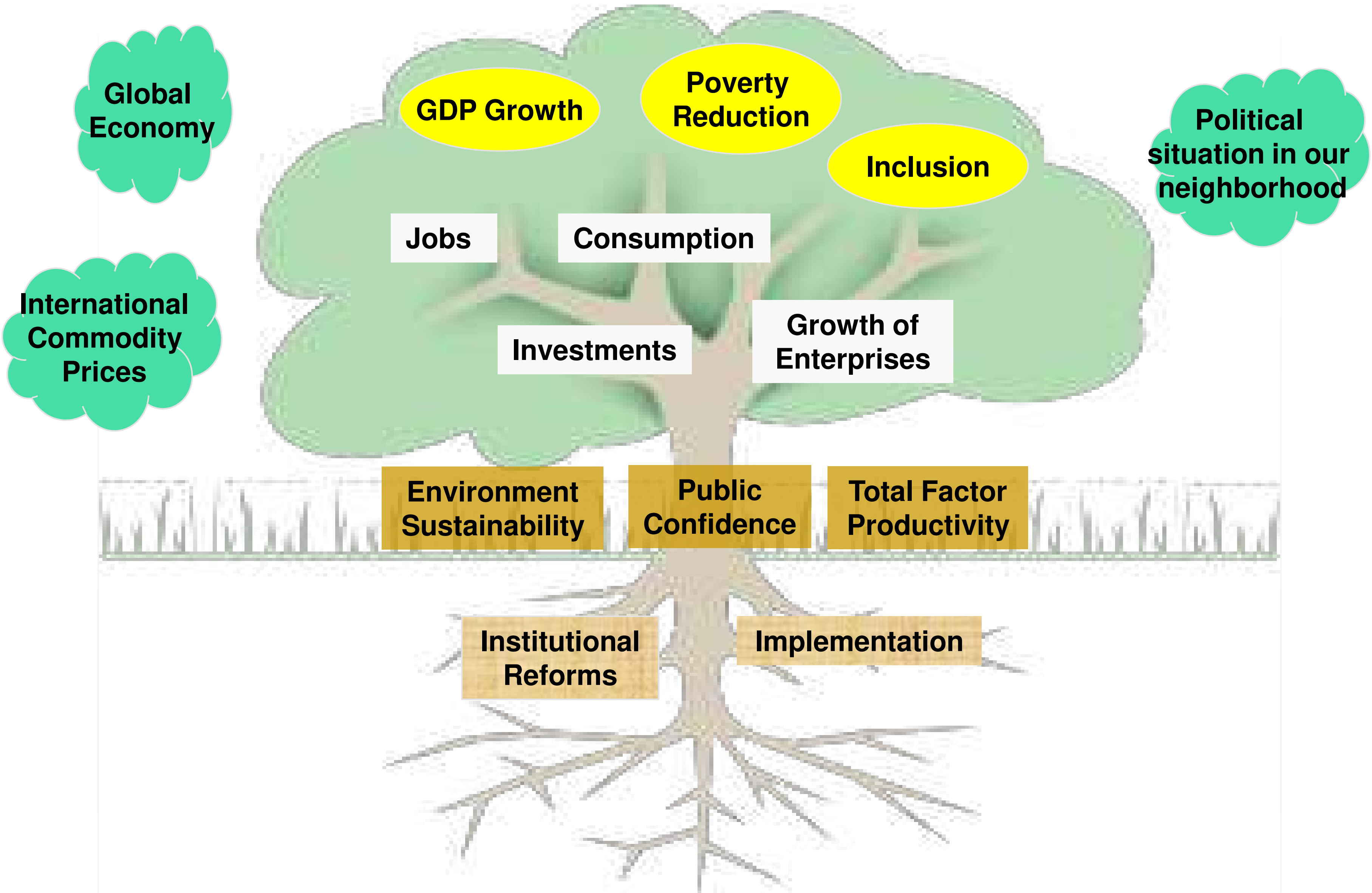
FLOTILLA ADVANCES



BUFFALOES WALLOWING

FALLING APART

SYSTEMS REFORMS TO OUTCOMES



SYSTEMS REFORMS

A: THE APPROACH WE TAKE TO **INCLUSION**

MORE HANDOUTS / SUBSIDIES
OR
✔ **FASTER GROWTH OF LIVELIHOODS**

B: THE APPROACH WE TAKE TO **GOVERNANCE**

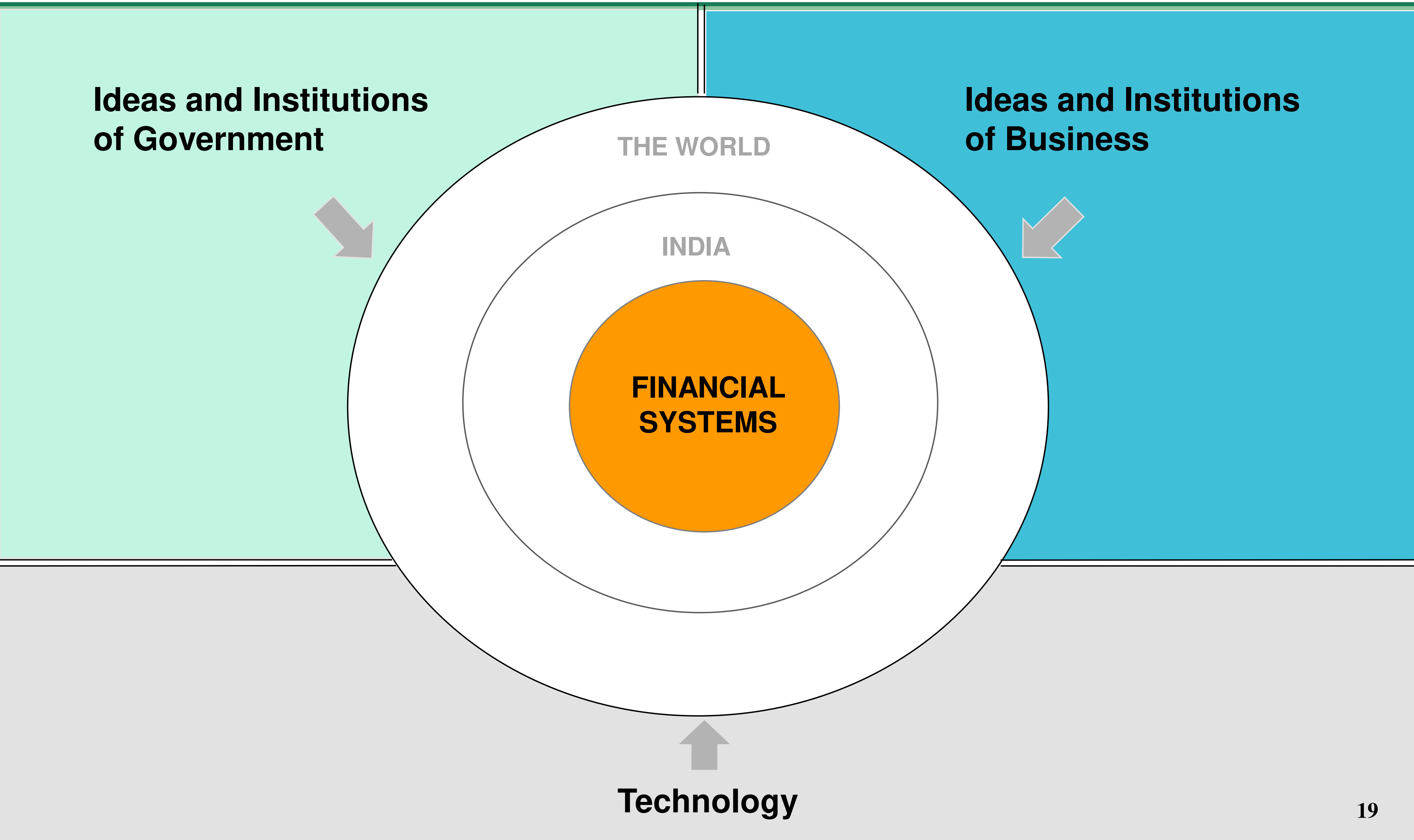
STRONG, CENTRALIZED GOVERNANCE
OR
✔ **LOCALIZED GOVERNANCE**

C: THE APPROACH WE TAKE TO **SUSTAINABILITY**

LARGE, CENTRALLY-PLANNED PROJECTS
OR
✔ **COMMUNITY-BASED SOLUTIONS**

Improved Implementation: Productivity of Assets, Programs and Projects

FORCES SHAPING OUR FUTURES



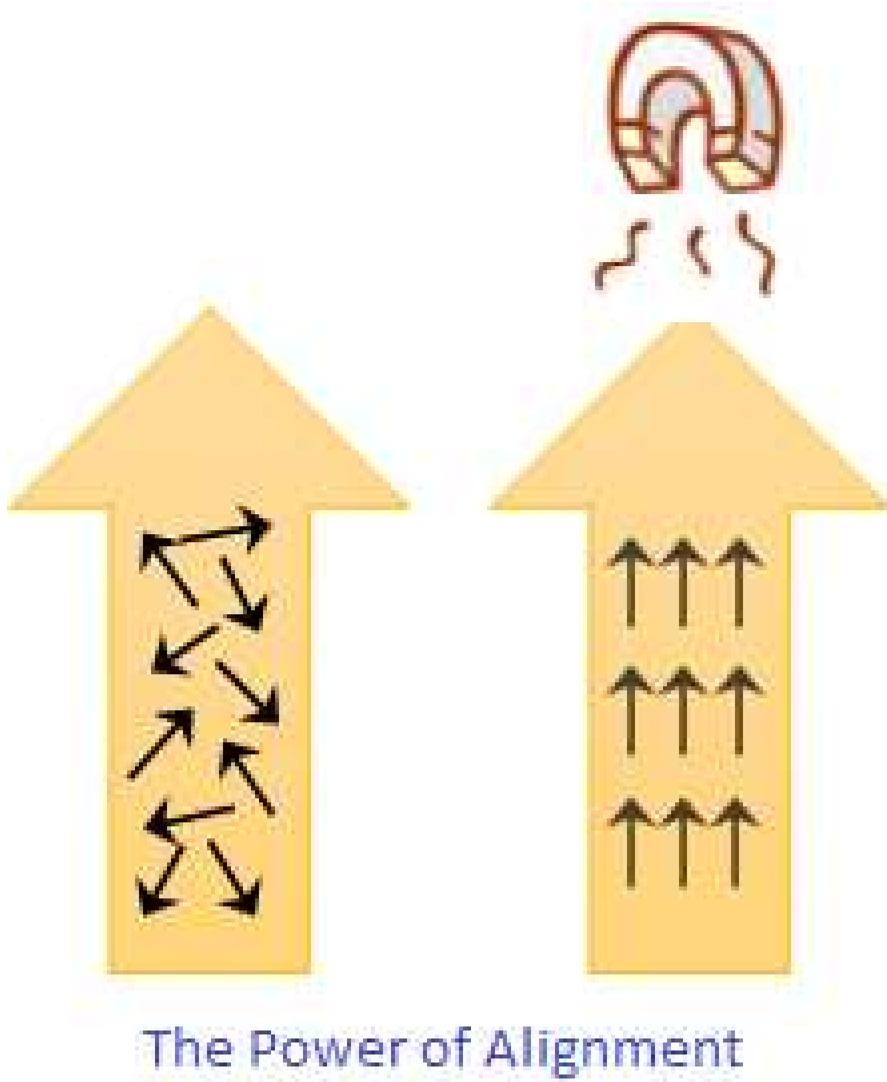
FORCES SHAPING THE “BANKING” INDUSTRY

- Social and political pressures for “inclusion” of the ‘small’ : poor citizens ; small enterprises
- Digitization and communication technologies
  - break – down of ‘brick – and – mortar’ business models
- Networked platforms for coordination ; rather than pyramidal hierarchies
- Deconstruction of conventional banking ; entry of new players from outside ‘banking’ into banking
  - Retail chains : mobile – phone companies ; and ??
- Changes in regulatory structures

CHALLENGES FOR INCUMBENT BANKERS

- The ‘last mile’ for inclusion
  - cost of reaching
  - ‘asset light’ borrowers
  - ‘informality’ : non-conformity with ‘formal’ structures
- Dealing with ‘systems’ and ‘communities’ ; not individuals in isolation
- Pressure to reduce risks, therefore need for conservatism rather than risky innovation
- Internal written and ‘unwritten’ rules within banks (and performance management systems)
- Creating partnerships with others : community organizations ; NGOs, other formal businesses (retailers, communications’ companies, etc.)
  - Sharing of responsibilities, risks and rewards

The Magnet to align Stakeholders: A shared aspiration



The architecture of a networked organization is based on 4 fundamental principles from living systems