

# Vaidyanathan: Targeting bottom of pyramid via tech

FE BUREAU

Mumbai, September 7

**TECHNOLOGY DOES NOT** differentiate between the rich and the poor and this will help the financial sector tap the bottom of the pyramid, V Vaidyanathan, MD, IDFC First Bank, said on Thursday.

Explaining the advantage of using technology in financial services, he said the bank has aggressively given loans to small businesses and families and the non-performing assets were just 2%.

While the needs of the affluent and the poor are same, the latter pay the highest unit cost per product category. Financial services did not reach the poor for decades because bank employees did not have the time or the wherewithal to physically service them, he said.

The major bottlenecks included overcrowded branches, low technology and staff over-burdened by manual processes since lending requires banks to reach customers, assess their needs, underwrite and collect as well. As a result, consumer credit or personal credit to the gross



domestic product has been languishing at 19%. In most countries, this is as high as 50%, Vaidyanathan said.

However, technology has made things simpler because unlike services delivered in the physical form, technology does not differentiate between the rich and the poor.

New-age technologies like ATM, UPI, Aadhaar-based payments, Fast-tag and others have been enablers

and biometric KYC -- eKYC, cKYC, Aadhaar OTP-based KYC -- is helping credit reach to people who were not served earlier.

Based on simulations, he said, credit flows to retail, agri and MSME's could grow up to \$15 trillion in the next two decades.

Vaidyanathan gave the example of a small business with good cash-flows. For example, a person who is buying a cow for ₹40,000 to sell milk earns ₹720 a day. This translates into ₹21,600 a month, and even after spending ₹5,000-6,000 for fodder, he earns around ₹15,000 a month per cow," he said. However, banks in the past were unable to lend him because there was no access to his financial details. But now, technology has enabled lenders to provide credit. And someone who is earning ₹15,000 a month can easily repay a loan of ₹40,000 in less than a year.

He highlighted new areas like WASH credits (water, sanitation and hygiene loans) where IDFC First has given more than 270,000 loans and the collection rate is as high as 99.7%.