Responsible Digitization of Small Entrepreneurs in Rural India

Lessons from digitizing the Hindustan Unilever Shakti channel

September, 2022

INDIA

BUSINESS SERIES

Hindustan Unilever Limited

BETTER THAN CASH ALLIANCE

Authors

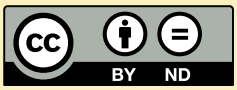
Marjolaine Chaintreau, Better Than Cash Alliance

Kedar Lele, Hindustan Unilever Limited

Nick van der Velde, Bopinc

Cover photo: © Re-emerging World
Foreword photos: © Unilever

ISBN 978-1-7350409-9-8



©2022 Better Than Cash Alliance.
This work is distributed under the Creative Commons Attribution-NoDerivatives 4.0 International license.
To view, visit http://creativecommons.org/licenses/by-nd/4.0/

FOREWORD

During COVID-19, millions of people had access to essential commodities, thanks to the **180 million small stores worldwide, and 12 million in India, that interact with 4.5 billion customers daily all across the world.**

Our business relies on a thriving distribution network and the success of micro and small enterprises in our retail value chain is directly linked to our own success. It is also an opportunity for us to drive change. **So as part of our Unilever Compass strategy, launched in 2020, we have committed to help 5 million small and medium-sized enterprises grow their business through access to skills, finance and technology by 2025[1].**

We are doing this while prioritizing women in our network. In 2001, we had launched Project Shakti with the aim to financially empower and provide livelihood opportunities to women in rural India. We realized that digitizing these women entrepreneurs will be essential for their sustained growth. **In 2017, we joined United Nations-based Better Than Cash Alliance as a member to transition towards responsible digital payments throughout our value chain to achieve the Sustainable Development Goals while advancing transparency and creating economic opportunities for women, small entrepreneurs, and farmers.**

In 2019, we worked with the Alliance to digitize our Shakti rural network while using our flagship Shikhar application. Shikhar is core to digitizing the entire customer journey from demand capture to demand fulfilment. **By converting their traditional trade into digital ones, our distributors ensured that orders were received and customers were serviced even when the sales teams could not reach the outlets during COVID-19 lockdowns. Digitization is offering a competitive advantage and ensuring business growth for our small entrepreneurs in an increasingly digital world.**

This report captures what we learnt along that journey while integrating the United Nations Principles for Responsible Digital Payments helping the Shakti network use Shikhar for digital ordering and payments.

We are immensely proud of the work we have done, and we are equally conscious of what we still need to do. We are using these lessons to scale up digitization in our entire Shakti Entrepreneur network and we hope other FMCGs with similar ambitions of inclusion will also find it useful to prioritize women in their networks.

SANJIV MEHTA
CEO and Managing Director, Hindustan Unilever Limited, President, Unilever South Asia and President, Federation of Indian Chambers of Commerce and Industry

REBECCA MARMOT
Chief Sustainability Officer, Unilever

FOREWORD

1. **EXECUTIVE SUMMARY**
/5

2. **INTRODUCTION**
/10

3. **TREATING USERS FAIRLY (PRINCIPLE 1)**
/16

4. **PRIORITIZE WOMEN (PRINCIPLE 3)**
/24

5. **DESIGN FOR THE INDIVIDUAL (PRINCIPLE 5)**
/32

6. PROVIDE USER CHOICE THROUGH INTEROPERABILITY (PRINCIPLE 7) /38

7. CHAMPION VALUE CHAIN ACCOUNTABILITY (PRINCIPLE 9) /42

8. RECOMMENDATIONS /50

9. GLOSSARY /54

10. ABBREVIATIONS /57

© Hindustan Unilever Limited

EXECUTIVE SUMMARY

In India, one of the COVID-19 pandemic's most visible impacts has been the dramatic acceleration towards digital solutions, and digital payments in particular. **This report presents key insights and opportunities from Hindustan Unilever Limited's (HUL) business-to-business (B2B) Shakti digitization program to implement the United Nations Principles for Responsible Digital Payments and build scale across assessment, design, and execution[2].**

In India, the retail business sector accounted for over 10 percent of the country's GDP and 8 percent of employment in 2017. **Over 12 million kirana stores were operational across the country in September, 2019[3].** This makes the Indian retail market the third-largest in Asia and fourth-largest in the world, which is set to cross US$1.75 trillion (approximately INR 126 lakh crore) by 2026.

Since 2019, HUL, Unilever's subsidiary in India, has been working to digitize its retail channels, both, in urban and rural areas. In rural areas Shakti entrepreneurs have played a key role in this journey. It has done this through its flagship digital platform, the Shikhar app, which enables its retailers to order digitally, and now also pay for orders digitally. **With the understanding that many of the entrepreneurs in the B2B Unilever Shakti digitization program would be using digital platforms for the first time, it designed a multipronged strategy to ensure that they received adequate support, in person and remotely, via the channels they were familiar with.** The insights gained from this initiative and summarized in this report will be of particular interest to other fast-moving consumer goods companies, to distributors, and all other players in the supply chain, in both India and similar settings globally.

Over
12 million
kirana stores were operational across the country in September, 2019[3].

To date, Unilever B2B digitization program has been able to:

- **Onboard 950,000** retailers to order digitally on the Shikhar app
- **Reach 587** districts in India with its Shikhar app
- **More than 20%** of purchases done digitally

Learning how to digitize B2B retail successfully based on the lessons learnt from this initiative is important for four reasons:

- the lessons will accelerate business recovery from the pandemic in India;
- they will contribute to achieving the Sustainable Development Goals;
- they will improve gender equality – by intentionally targeting women for effective financial inclusion; and,
- they will help optimize the profits of *kirana* stores.

© Re-emerging World

Based on the UN principles for Responsible Digital Payments, this report highlights key drivers of success for adoption of digital payments by small women entrepreneurs:

1

Principle 1
Treat Users Fairly.

FMCG companies, distributors, and supply chain players, all have an important role in bringing trusted commercial relationships, and a clear understanding of business requirements, to help kirana store staff develop resilient digital skills. It is important to offer continuous and relevant engagement during the onboarding journey for Shakti entrepreneurs, especially in the key moments when they might otherwise drop out, such as after registration on the ordering app, or after configuration of the mobile payment app. Clear communication and loyalty schemes help the user to stay invested in the program.

2

Principle 3
Prioritize women

When moving from cash to digital payments, women are often negatively affected by limited access to a smartphone or dedicated featured phone, by poor access to ID, and by a limited ability to go to bank branches or agents. Gender intentionality means taking steps to ensure you understand such market constraints facing women staff or family owners of kirana stores, and by recognizing that women have different needs at various stages in their life cycles that can be addressed by different financial and non-financial services. Women in India also often experience challenges in access to, and use of digital financial services, including challenges with basic financial and digital literacy. Developing and tracking specific metrics on women's adoption of digital payments and their engagement with the digital solutions, will help proactively identify and then find solutions at the points where women may be experiencing challenges.

3

Principle 5
Design for individuals

Scale-up across India can be supported quickly by focusing on fully digitally ready and semi-ready users. These retailer segments have existing bank accounts, access to functional debit cards, experience using digital payments, and good access to phones and the network. Yet less digitally ready users must not be omitted from such scale-up, lest the digital divide is widened. This will require tailored strategies to give access to smartphones and/or debit cards, for example through exploring partnerships with rural banks and other providers.

4

Principle 9
Champion value chain accountability

When working along value chains, it will increase effectiveness to also digitize the other businesses with which rural entrepreneurs engage. Finding solutions for increasing merchant digital readiness in rural India requires multi-stakeholder partnerships among fast-moving consumer goods (FMCG) companies, distributors, government agencies, fintechs, and FSPs. Engagement and alignment among the leading FMCG players on the training of sales representatives or on building the capacities of distributors will go a long way toward building trust and convincing women entrepreneurs to adopt digital ordering and payment solutions.

This report outlines ways to take advantage of the exciting opportunities in digitizing B2B payments for rural Indian kirana stores in increasing profits, benefiting the entrepreneurs, store owners, and their families as well as ultimately driving the Sustainable Development Goals.

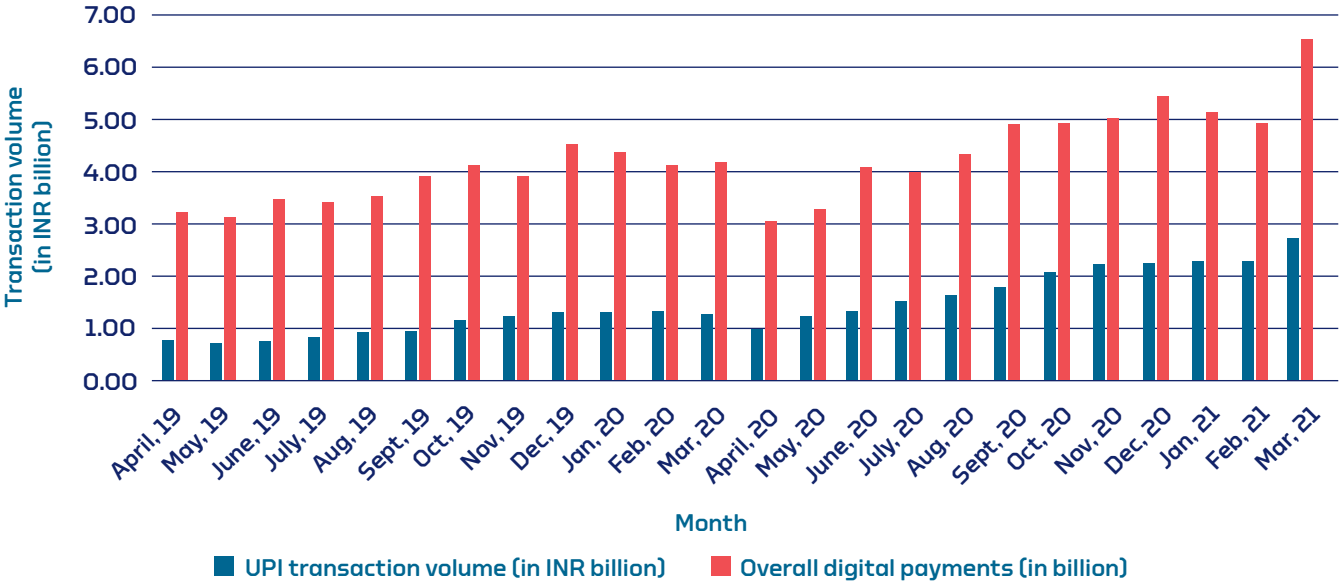
2. INTRODUCTION

IN INDIA AND WORLDWIDE, THE COVID-19 PANDEMIC LED TO AN ACCELERATED USE OF DIGITAL SOLUTIONS AND DIGITAL PAYMENTS IN PARTICULAR.

In India, government data shows that digital transactions grew by over 77 percent, from INR 3.1 billion to INR 5.5 billion, in the three years to 2021.[4] This growth was led in large part by the Unified Payment Interface (UPI), a payment system developed by the government to enable immediate money transfers through mobile devices.

Yogita Date from Maharashtra owns a *kirana* store with her husband. She has a smartphone and bank account, and through the onboarding support from the local salesperson, has installed the Shikhar app, ordered digitally twice, and is now learning how to make UPI payments.

FIGURE 1:
Recent growth of digital payments in India



Source: http://digipay.gov.in

This las led to an unprecedented digitization of small business commerce in India. According to a study published by the Reserve Bank of India, urban cooperative banks have shown most digitization progress in retail payment channels, and a "striking increase" between 2016 and 2021 in the adoption of application-based digital channels, such as mobile banking.[5] Among more than 6,000 respondents to a 2018/2019 survey in India, retail digital payments accounted for at least 80 percent of total retail payments[6] and around a fifth of all payments. The survey was conducted across six cities, however, and no rural areas. The acceleration of digitization may not necessarily be all positive. It may for example, if not done gender-intentionally, deepen the rural and gender digital divides. If these groups are not included during the design process, rural merchants and women-owned enterprises may be excluded from the growth and resilience promised by digitization. The digital economy is helping to speed up achievement of the Sustainable Development Goals, and the fintech industry is innovating fast, with incredible growth.

Underserved users often distrust or are unfamiliar with digital payments. Women are disproportionately excluded, and yet their digital inclusion is the single best way to reach financial equity.[7]

The program hired dedicated frontline staff to support and engage rural women entrepreneurs over the course of their digital adoption journey.

This is why the B2B Unilever Shakti digitization program was designed to specifically target rural entrepreneurs and women in a responsible way.

This report presents key insights and opportunities in implementing the United Nations Principles for Responsible Digital Payments[8] to build scale across the assessment, design, and execution of the HUL initiative. With the understanding that many of the entrepreneurs in Shakti digitization programme would be using digital platforms for the first time, the initiative designed a multipronged strategy to ensure that they received adequate support, in person and remotely, via the channels they were familiar and comfortable with.

The program developed tiered levels of support, hiring dedicated frontline staff, known as route trainers, who were working with trusted and known HUL sales representatives, to support and engage with entrepreneurs over the course of their adoption journey. The route trainers, in concert with trusted sales agents, worked with entrepreneurs to improve readiness, facilitate initial transactions, and provide frontline technical support when issues arose. The constraints of the pandemic have accelerated the transition from in-person support only. A phone helpline, staffed by agents conversant in regional languages, plus self-service support mechanisms over WhatsApp and SMS in the local language, have enabled ease of use at time and place of the Shakti entrepreneurs' convenience.

> **"The Shakti entrepreneurs now feel more included in the digital economy. The Shikhar app has given them clarity and convenience"**
>
> Himanshu Mishra, route trainer, Uttar Pradesh

> **"I can now know about the schemes, products and retailer margins just by logging into the Shikhar app"**
>
> Shakti entrepreneur, Uttar Pradesh

> "After joining the Shakti Program, my income and savings have increased from what it was before"
>
> Shakti entrepreneur, West Bengal

BACKGROUND TO DIGITIZATION AT HINDUSTAN UNILEVER LIMITED

The Unilever Compass strategy, launched in 2021, includes a goal to help

5 million

small and medium-sized enterprises grow their business by 2025.[9]

Unilever has a strong commitment to helping small and medium-sized enterprises (SMEs) to grow. It creates income opportunities and improves skills, including digital financial skills, for its global network of 25 million retailers. The Unilever Compass corporate strategy, launched in 2021, includes a goal to help 5 million SMEs in the retail value chain to grow their businesses through access to skills, finance, and technology by 2025.[9] Unilever recognizes the importance of improving financial access and digital skills to create the conditions for a more equitable growth.

Since 2019, Hindustan Unilever Limited (HUL), Unilever's subsidiary in India, has been actively working to digitize its urban retail channels through its flagship digital platform, the Shikhar app, which enables its retailers to order and now also pay digitally. Starting with key Indian metros, HUL scaled up the uptake of Shikhar among its network of retailers in major urban cities and peri-urban towns in India. Continuing its inclusive digitization efforts, HUL also started a B2B program to digitize orders and payments for its network of Shakti entrepreneurs. Known as B2B Shakti digitization program,[10] it is helping women and their families to improve their retail businesses and increase their capacities in a growing digital economy.

As a member of the Better Than Cash Alliance (the Alliance), HUL partnered with the Alliance to assess, design, and implement a digitization program that would be inclusive, safe, and responsible. Through this joint endeavor, HUL aimed to design rural-specific interventions helping Shakti entrepreneurs to acquire digital behaviors and gradually adopt digital ordering and payments.

To date, Unilever B2B digitization program has been able to:

- **950,000 retailers** onboarded to order digitally on the Shikhar app
- **587 districts** in India where Shikhar app has reached
- **More than 20%** of purchases done digitally

At the end of 2021, there were nearly **160,000 Shakti entrepreneurs across 18 states.**

PROJECT SHAKTI AND ITS SHIFT TO DIGITIZATION

Project Shakti enables rural women in villages across India to nurture an entrepreneurial mindset and become financially independent. At the end of 2021, there were nearly 160,000 Shakti entrepreneurs across 18 states. **To provide regular income, these women entrepreneurs (Shakti Ammas) are trained on the basic principles of distribution management.** Their role enables them to sell various products to the small retail outlets in their immediate village as well as directly to the households within the community.

A team of rural sales promoters coach the Shakti women entrepreneurs in rural India by training them on various aspects of business and distribution to manage their business better. This includes troubleshooting, enhancing their soft skills of negotiation and communication.

> **"I can now make [an] informed decision about purchasing HUL products as Shikhar gives me all the information I need"**
>
> Sonali Koutakar, Shakti entrepreneur, Maharashtra

In 2021, Unilever helped

1.2 million

SMEs across 8 Asian countries

be active on one of its digital ordering platforms.

The B2B Unilever Shakti program in India is the company's best established and most successful model, designed to empower women micro-entrepreneurs through access to training and support, as they in turn help to grow the Unilever business. Around 160,000 women from poor rural communities are now part of the Shakti distribution network in India, bringing the brands to hard-to-reach consumers while generating incomes for themselves and their communities. **With the experience in India as a base, the company has launched related programs in several countries, including Colombia, Ethiopia, Egypt, Pakistan and Sri Lanka.**

Hindustan Unilever Limited (HUL) aims to take down barriers and improve financial access and literacy – to create the conditions for more equitable growth. **Small-scale retailers told in the previous initiatives that what they needed most was access to finance and better skills for an increasingly digital world.** In 2021, the first year of the Unilever Compass goal, the company helped 1.2 million SMEs across eight Asian countries be active on one of its digital ordering platforms.

Its partnership with one of the leading public sector banks provides over 750,000 retailers who are registered on the Shikhar app with access to a credit facility to pay for Unilever products ordered through the digital platform. This means they can grow their businesses quicker without having to manage all the paperwork previously required.[11]

3. TREATING USERS FAIRLY

WHY THIS RESPONSIBLE PRINCIPLE MATTERS

To treat users fairly requires a move from merely shielding customers from losses towards building trust-based relationships. There also needs to be a shift of focus from wealthy or tech-savvy consumers to low-income users. Fairness, to this end, may be defined as occurring when all users feel supported in achieving their financial goals.

For companies, some of the key recommendations noted in the UN Principles for Responsible Digital Payments include the following.

- Define fair treatment in company strategies to help to guide partnerships that deliver outstanding digital payments experiences for users – digital payments need to work for all, every time.
- Champion the collection of user data in disaggregated forms to reveal segment-wide trends and user challenges.
- Consider how to harness companies' supply chains and processes to drive user-centricity and be the first line of recourse for digital merchants and users.
- Collaborate to distill key insights and improve the digital payments experiences in supply chains, holding partners accountable to high standards.

Explore UN Principles for Responsible Digital Payments at www.responsiblepayments.org

LEARNING FROM DIGITIZING THE SHAKTI NETWORK

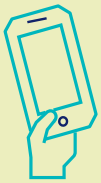
Despite tremendous growth for digital payments in India over the past few years, it is still a relatively new space for small retailers in rural areas. These users are likely to begin their journey from cash to digital with a high level of skepticism, making it even more important to establish a strong and meaningful trust-based relationship that minimizes risks and treats people fairly. **To support long-term, sustainable merchant adoption, it is vital to continually create an exceptional user experience that attracts skeptical users by bridging the trust deficit. The following were the design factors that provided confidence to Shakti entrepreneurs to adopt the Shikhar app:**

- Simple and easy operation from a state-of-the-art interface
- Easily accessible from the app store
- Payment option through the Unified Payments Interface, thereby providing interoperability with other apps
- Usable 24/7
- Transparent about schemes and retailer margins
- Trackable order fulfilment

Which design factors of Shikhar App provided confidence to Shakti entrepreneurs in adopting it?

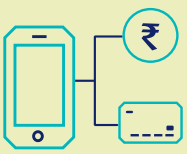
Simple and easy to operate

Easily accessible from google playstore



Link with digital payment ecosystem

Transparency about schemes and retailer margins



Traceability of order fulfilment

HUL supported its fair treatment of users in deciding to work with its network of 160,000 entrepreneurs, known as the Shakti network, to become more digital. HUL had developed the retailer ordering app, Shikhar, through its in-house technology team. **The app had been in use with urban retailers since 2019, and so commercially tested at large scale, and was well received by rural Shakti entrepreneurs when tested in some pilot areas.** These early pilots and deployments provided confidence to HUL to use it for the digitization of Shakti entrepreneurs.

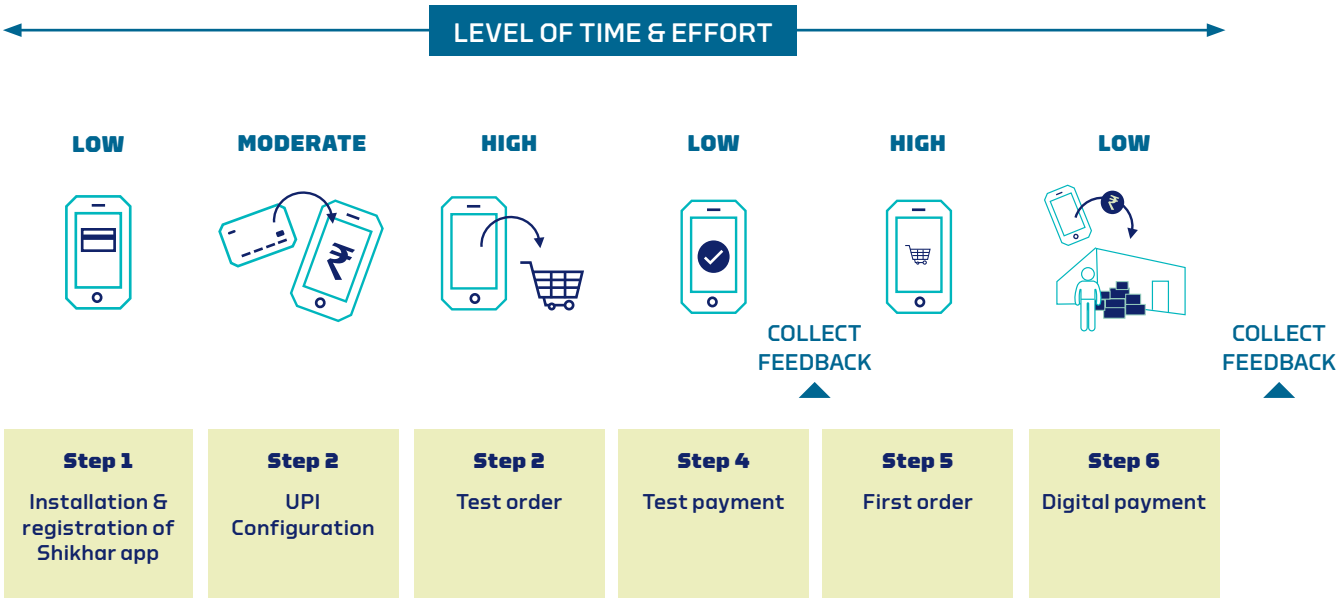
Continually engage during the onboarding journey

HUL, the Better Than Cash Alliance, and its partners built a layer of trust and accountability by creating a journey map for potential adopters. It also designed tools to support onboarding and adoption, guiding a team of local salespeople to manage the onboarding activities. **These salespeople knew the Shakti entrepreneurs very well and met with them every week. With this longstanding relationship, Shakti entrepreneurs trusted the local salespeople, and considered them the first point of contact for troubleshooting.** The salespeople were able to strengthen the technical aspect of digitization by getting help from the trainers who had developed the onboarding journey.

© Re-emerging World

FIGURE 2:
Six-step onboarding process for Shakti entrepreneurs

Tool: Onboarding Plan for Shakti Entrepreneurs' Digital Transition



Note: Step 4 - Placing a test order and thereby making a test payment (~INR 5 to 10) improves the confidence and builds likelihood for adoption specifically for Semi Ready Users

The program used a six-step onboarding process to help Shakti entrepreneurs to order and pay digitally for the first time (see Figure 2).

HUL generated the initial momentum in the onboarding execution through hiring dedicated frontline staff, known as route trainers, who acted as a dedicated support team for the local salesperson. The constraints of the pandemic have accelerated the transition from in-person support only. A phone helpline, staffed by agents conversant in regional languages, plus self-service support mechanisms over WhatsApp and SMS in the local language, have enabled ease of use at the times and places of the entrepreneurs' convenience. This support mechanism uses a communications strategy to help salespeople with the onboarding steps, key messages and scripts to drive adoption across the user journey. **Route trainers were able to train and support on-field resources until the program reaches a steady state, when the frontline sales team can take over independently. The support team develops and transfers onboarding plans, the tools needed to onboard entrepreneurs and prepare the field team for program implementation.** Beyond the initial training and knowledge transfer, it can also help with daily tracking and quality checks, non-routine troubleshooting, documenting progress, and sharing knowledge on the Unified Payments Interface (UPI).

The Shakti entrepreneurs need to persist through at least five or six digital ordering and payment cycles to become fully immersed in the digital way of working.

Continual engagement is needed to onboard rural Shakti entrepreneurs successfully, especially during key moments of potential dropout, such as after registering for the app or configuring it. The entrepreneurs need to persist through at least five or six digital ordering and payment cycles to become fully immersed in the digital way of working. If there are dropouts during these initial days, the field sales team will need to make visits beyond those scheduled to address the issues. This may also be an opportunity to address any myths, skepticism, or fear around digital payments.

In summary, continual engagement with Shakti entrepreneurs during onboarding involves three strategies:

Ways to continuously engage with entrepreneurs during the initial Ordering Cycles

1. Visit the entrepreneurs beyond scheduled sales visits during crucial dropout moments like receiving an order, making digital payment

2. Find ways to engage digitally under COVID induced travel restrictions. In this program, the local salesperson sustained their engagements over WhatsApp and phone calls

3. Handhold the entrepreneurs through relatively complex steps like UPI configuration, digital ordering with an aim to make them independent in 5 to 6 ordering cycles

© Re-emerging World

BIRANCHI KUMAR SAHU, HUL'S LOCAL SALESPERSON, ODISHA

Biranchi manages multiple Shakti entrepreneurs from the Angul district of Odisha and has been supporting 14 of them, to adopt HUL's digitization program. He said there were three kinds of entrepreneurs in his experience: ones who were tech-savvy and needed minimal support, those who had low digital exposure but were willing to make the transition with some assistance, and, finally, those with limited digital exposure and low trust, and who would need persuasion followed by continual support. Biranchi felt that the entrepreneurs had started to realize the early benefits of the program, especially with increased awareness about products, retail schemes, and savings through Ushop reward points. "One of my Shakti entrepreneur had increased the ordering volume for a particular detergent brand when she understood through the Shikhar app the demand it had and the margins she was getting."

CASE IN POINT

YOGITA DATE, SHAKTI ENTREPRENEUR, NASIK, MAHARASHTRA

Yogita Date and Rajaram from Talegaon village, Maharashtra, own a kirana store where, alongside selling FMCG products and groceries, they also run a host of digital businesses like recharging mobile phone talk time, paying electricity bills, transferring money electronically, and so on. Yogita mostly looks after selling the commodities and groceries while Rajaram handles the digital services. The store is next to their home, helping Yogita with looking after her eight-year-old daughter. **Yogita also has her own smartphone and bank account, and through the onboarding support from the local salesperson, has installed the Shikhar app, ordered digitally twice, and is now learning how to make UPI payments to purchase HUL products.**

In recent years, Rajaram has been putting up QR codes for multiple UPI applications like Google Pay, PhonePe, and Amazon Pay, which prompt customers to pay digitally. **"Every day around 10 to 12 customers use the QR Codes to make payments,"** Rajaram said. With Yogita now getting comfortable with UPI, she can receive payments directly in her bank account, helping her to maintain digital liquidity to pay for orders.

Results

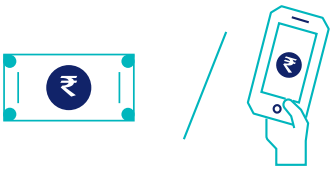
Rajaram and Yogita find a number of benefits of using digital payments to run their store:

1. **Better control:** Before, Yogita had to depend on the local salesperson to place orders and had to be available in the store even when her daughter needed her. "With the ability to place orders online, I don't have to memorize the items I require and can add items as per my convenience."
2. **Increased savings:** So far, they have received 200 Ushop Points – cashback rewards HUL provides on specific stages of digital adoption. "Redeeming them is an incentive that brings us savings."
3. **Less cash handling:** "Now we do not need to handle cash. There are various risks associated with it," Rajaram said. Yogita added: "When I have to attend to my daughter while running the store independently, I don't have to worry about the safety of cash."

FIGURE 3:
Benefits of digitized ordering and payments

Improved Business Awareness and Control

- Increased awareness on products, retail margins, and schemes
- Improved ability to take informed decisions on product purchases
- Enhanced tracking and visibility of orders and their fulfilments



Increased Convenience

- Reduced effort in keeping exact cash ready for paying the delivery person
- Reduced necessity of Shakti entrepreneur to be available in person at the moment of product delivery
- Increased ability to place orders and make payments independently

Increased Saving through Reward Points

- Redeemable rewards through Ushop points helping the Shakti entrepreneurs make additional saving on orders

© Re-emerging World

4. PRIORITIZE WOMEN

WHY THIS RESPONSIBLE PRINCIPLE MATTER

Digital payments designed to meet women's needs and incentivized through policies that make them safe and affordable can lead to:[12]

- Increased GDP growth
- Increased customer growth and retention
- Higher labor force participation
- Improved household bargaining power
- Freer gender norms

Women represent a major constituency in the digital payments landscape. Too often, however, they suffer from systemic and organizational biases that exclude them. **For example, women in India are less likely than men to have mobile phones and access to the internet, and the gender gap in reading and sending SMS messages is 51 percentage points.**[13] Women also often lack the combined digital skills and financial capability to use digital financial services fully.

Prioritizing women is crucial to the realization of financial equity. For female entrepreneurs, access to digital payments means their performance and creditworthiness improves. Women also show enhanced product loyalty and corporate responsibility.

Women are unlikely to use digital financial services that are not affordable, safe, easy and convenient.[14] Embedding a gender lens across the application of the Principles for Responsible Digital Payments is a crucial first step to closing the gender gap. Yet it will require transformational measures that prioritize women and redress their systemic exclusion. **To achieve the sea change needed, women's voices need to be included at the decision-making stage. Products must reflect and improve women's lived realities.**

For companies, some of the key recommendations noted in the UN Principles for Responsible Digital Payments include the following.

- Set organizational key performance indicators to prioritize women, such as to measure the proportion of women on the organization's staff and board.
- Use partnership agreements to prioritize women, such as by setting gender-disaggregated outreach targets, setting conditions demanding a preference for women staff and agents, and using selection criteria that require strong, demonstrable experience in women-centered services.
- Track gender-disaggregated data from digital payment partners and ensure a gender focus in all prospective research for emergent technology such as artificial intelligence.
- Structure partnerships that support digital payments and create economic opportunities for women.
- Explore innovative solutions to women's unequal access to connectivity, identity, and digital and financial literacy.

© Re-emerging World

It is particularly important to tailor the design of the offering to women's diverse realities in the target market.

LEARNING FROM DIGITIZING THE SHAKTI NETWORK

Within the context of merchant digitization, all the following need to be reimagined with gender intentionality to ensure women's equality and bridge the gender gap:

- Interfaces
- User experience
- Service design
- Support structure
- Incentives

It is particularly important to tailor the design of the offering to women's diverse realities in the target market, which could include:

- Accommodating their preferences (e.g. by aligning service hours to women's constraints)
- Taking into consideration social norms (women are more comfortable speaking with women staff)
- Addressing barriers like access to identification and financial capabilities

> I provide information to the lady customers around different products and their usage.
>
> **Shakti entrepreneur, Maharashtra**

With the integration of technology, HUL ensured that incentive payments for Shakti entrepreneurs would be transferred directly only to bank accounts in their names, thereby encouraging women to enter the formal banking segment.

The B2B Unilever Shakti digitization program makes women the central focus by proactively seeking out and prioritizing the enrollment of women Shakti entrepreneurs in rural markets.

> **Earlier the incentives were distributed in cash but now, it comes into my bank account. I reinvest the incentive amount back in the business for expanding it and to make payments.**
>
> Shakti entrepreneur,
> Uttar Pradesh

> **I utilize the increased income in investing in the business. I also use it for my kid's education and household expenses.**
>
> Shakti entrepreneur,
> Maharashtra

56 percent of men in the family had functional debit cards, compared with only 15 percent of women.[12]

During the program's initial phase, it became clear that businesses led or owned by women were common in the western and southern regions of India, whereas this statistic was low in other areas. This was due to cultural and socioeconomic barriers that prevented women from participating in retail businesses. For example, needs assessment research done at the beginning of the program observed that 56 percent of men in the family had functional debit cards, compared with only 15 percent of women.[12] To cater to women entrepreneurs better, Unilever and the Alliance partnered with IDEO.org and the Bill & Melinda Gates Foundation to gain key insights about women operators. Specifically, this sought to understand their aspirations, capabilities, challenges, and varied circumstances to drive informed gender-intentional design choices in marketing, communication, and support efforts. These insights were subsequently incorporated into service design innovations targeted to drive the adoption of the platform by women. Key innovations included:

- Using women support staff at call centers to cater to women entrepreneurs
- Using guided at-home onboarding (as opposed to at the store)
- Giving self-service support over WhatsApp to cater to audiences where cultural norms prevented women from interacting with men
- Providing a women-only incentive (rebate) program to grow the role of women in co-owned and/or operated businesses

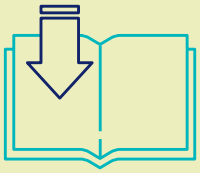
© Re-emerging World

DUE TO SOCIO-CULTURAL NORMS, MEN TEND TO PLAY AN ACTIVE ROLE IN KIRANA STORES, AND THAT NEEDS TO BE CONSIDERED WHILE DESIGNING PROGRAMS THAT ARE WOMEN-FOCUSED

KEY BARRIERS

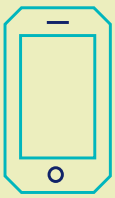
Socio-Cultural Norms

Men run the stores and women run the house - the dominant social norm in rural India, especially for less developed states



Lower Literacy Levels

Women in less developed rural India have lower literacy levels which means they seldom know how to read or write.



Lower Smartphone Ownership

Largely women in rural India will not have access to a personal smartphone, which restricts configuring a separate UPI account

EMPOWERMENT OPPORTUNITIES

Business and Financial Literacy

Dedicated training on how to run businesses and manage personal finances can generate improved decision making skills

Lower the technology barrier

Providing access to credit or easy loans to purchase a smartphone, and handhold in using it will help women be more familiar with technology

Usage of Bank Accounts

Encourage women to visit banks and manage their accounts. This has a potential to build a habit and help her become more aware

HUL transfers the sales incentives directly into the bank accounts of Shakti entrepreneurs and that by design is to encourage and strengthen their role in the retail ecosystem

© Hindustan Unilever Limited

CASE IN POINT

SONALI KOUTAKAR, SHAKTI ENTREPRENEUR, MAHARASHTRA

"I was a bit nervous initially but, with the guidance of the local salesperson, I can now digitally place orders and make payments using the Shikhar app independently." Sonali stays with her 15-year-old son in Dhondgavahn village, Nasik, Maharashtra, and single-handedly manages her home in addition to the kirana store. After losing her husband, Sachin, in an accident, she took charge of the retail business. "I used to help my husband in the store and was aware of how to run the business," Sonali said.

HUL's local salesperson, Prashant, identified Sonali as a potential user of the Shikhar app because she was already familiar with digital payments and was using some phone payment apps. Ordering for the store online was new to her and she was initially skeptical about using the app. Through the salesperson's support and guidance, though, Sonali was able to break her inhibitions and gave it a try.

"I am finding ordering digitally easy now – I have learned almost 90 percent of it", Sonali said with a smile. It took her five or six orders to get used to ordering digitally. Her digital and financial familiarity helped a lot with this.

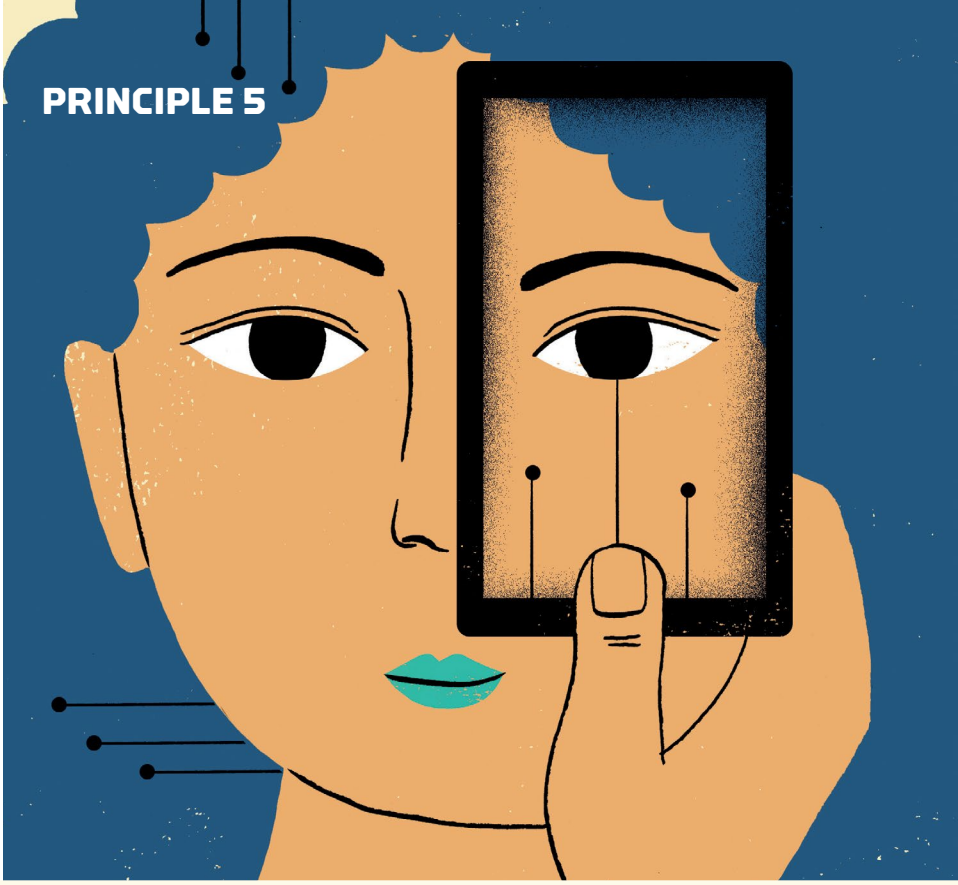
Sonali actively encourages her customers to pay digitally and has a board displaying QR codes for digital payment apps. **"Every day, 10 to 15 customers will pay me digitally, purchasing products worth INR6,000 to INR7,000,"** Sonali said. **This ensures a steady balance in her bank account, which she can use to purchase inventories for the store digitally, thus not requiring cash-outs.**

Results

Sonali now uses the Shikhar app independently, to place digital orders and make payments to the distributors. Digital payments have also helped her during COVID-19 when she has been unable to visit the bank. When we asked what she was getting out of this transition, she shared three clear benefits:

1. **Convenience:** "It is more convenient to pay digitally. For cash payments, I need to keep the exact amount ready before the delivery person arrives."
2. **Increased savings:** Sonali has received Ushop points – rewards that HUL provides on specific stages of digital adoption. "This will help me make some savings on my orders whenever I choose to redeem it."
3. **Better decision making:** "Earlier, I was less aware of the products, margins, offers, and schemes. Shikhar app is letting me know all these on my phone." Sonali sounded happy and was getting better control of her business through the increased awareness, enabling her to make informed decisions on what to buy and when.

5. DESIGN FOR THE INDIVIDUAL



WHY THIS RESPONSIBLE PRINCIPLE MATTER

To create a world where digital payments enhance everyone's livelihoods, a deep understanding of users' needs, preferences, and capabilities is essential. The need for designs to focus on excluded populations is not new. What is new are the tools available to realize this need. Advancements in data and analytics have the power to unearth much deeper insight into the ways individuals engage with digital payments in their diverse societal roles. This insight will inform the design of bespoke products, tailored to meet known needs.

Financial inclusion is no longer simply an issue of access; it is also a question of delivering relevant, quality product choices to people who remain excluded. Low-income users are often treated as a uniform mass, with little appreciation for their heterogeneity. This hinders financial inclusion and the penetration of digital payments. Traditional segmentation of low-income markets typically relies on well-worn contextual and demographic categories (e.g., smallholder farmer, migrant laborer, gig worker, loan group participant). However, this segmentation masks the wide and vibrant diversity in people's aspirations, behaviors, and psychology.

Stakeholders should endeavor to design not just products, but end-to-end experiences for digital payments. Doing so is a continuous process, requiring cultural shifts and investments in analysis, learning, and adaptation.

For companies, some of the key recommendations noted in the UN Principles for Responsible Digital Payments include the following.

- Co-create solutions with payment system providers (PSPs)/banks centered around the needs of users and supply chain actors.
- Set up periodic meetings with partner PSPs/banks to discuss gaps in existing offerings and the potential for modifications to better suit user requirements in last-mile areas.

LEARNING FROM DIGITIZING THE SHAKTI NETWORK

The value proposition that drives adoption may vary from merchant to merchant.

Success in merchant digitization, particularly in rural markets, necessitates an approach that considers the variability of:

- Experience with digital payments
- Ability to adopt
- Supporting networks around individuals

Some merchants may need more in-person engagement, whereas others may prefer self-service engagement. Similarly, the value proposition that drives adoption may vary from merchant to merchant. **While economic incentives resonate strongly for most, for some, the value of independent, self-service ordering, or of transparency, may be the core motivation.**

By responsibly embracing current technologies, organizations could deliver insightful, tailored merchant digitization journeys that successfully drive adoption across the entire value chain. **To this end, the B2B Unilever Shakti digitization program developed tiered communication and engagement strategies.**

It deployed these based on the evaluated readiness of each of the rural entrepreneur selected. The program teams paid particular attention to the unique needs and challenges of Shakti entrepreneurs, and designed specific interventions to drive their adoption, including but not limited to communications strategies and support mechanisms that targeted them, and supported them with their eligibility for incentives. These strategies, differentiated by message, language, frequency, and channel, were key to ensuring that no one was left behind and that they were afforded an equal opportunity to take advantage of the benefits of online ordering and payments.

To evaluate the readiness of entrepreneurs, the B2B Unilever Shakti digitization program assessed the following three dimensions.
This informed a nuanced understanding in the program team of which markets were viable, and which common interventions were needed. It also revealed the design considerations that would be incorporated in the solution.

1 Digital maturity of the market - three drivers improve the digitization experience for users and help with effective onboarding:

- High-speed internet
- Local cash-to-digital converters
- Access to UPI-enabled banks

© Re-emerging World

2 **Availability of digital liquidity within the market to facilitate digital payments (e.g. who accepts digital payments inside the village and within three to five kilometers?).**

3 **Individual user readiness - the B2B Unilever Shakti digitization program has defined three levels of readiness, which has helped to tailor interventions and finetune the onboarding journey (Table 1 offers a framework of questions for assessing readiness):**

Fully ready user

- the Shakti entrepreneur has a functional UPI-enable app on their smartphone and does not need support to configure it
- intervention needed: assistance with digital ordering only

Semi-ready user

- the Shakti entrepreneur has a functional UPI-enable app but does have a debit card, and needs support with UPI configuration
- intervention needed: UPI configuration, assistance with both digital ordering and payments

Unready user

- the Shakti entrepreneur is not ready technically to adopt the program. Either they do not have a debit card, or a smartphone in the family, or both
- intervention needed: provide access to a smartphone and/or a debit card before sketching an onboarding journey

> I do not need to keep the cash ready and wait for the delivery person. I can make the payment at my own convenience now
>
> Shakti entrepreneur,
> West Bengal

TABLE 1:
Research questions to ask when assessing the digital readiness of users

QUESTIONS TO ASK	KEY FACTORS	WHY THESE QUESTIONS ARE IMPORTANT
What demographic conditions influence adoption?	• Age • Education Levels • Digitally literate family members	• Younger retailers have better digital readiness • Retailers with higher levels of education have more propensity to adopt digital payments • The presence of digitally literate family members increases the likelihood of digital adoption
What practices will influence adoption?	• Frequency of bank visits • Access to functional debit cards • Prior experience in using digital payment	• Bank visits enable converting cash to digital currency • Having functional debit cards will help UPI configuration • Retailers with prior experience in digital payments are more likely to adopt them in their businesses
What will drive willingness to adopt?	• A strong proposition for switching to digital • Perceived level of ease or difficulty in the adoption experience • Notions about digital payments	• Retailers with a stronger perception of the benefits of digital payments over cash are naturally more willing to adopt them • A difficult experience during adoption may cause dropouts • Negative notions around digital payments may hinder the adoption

STRATEGY FOR ONBOARDING AND COMMUNICATING WITH WOMEN ENTREPRENEURS TO DRIVE ADOPTION OF DIGITAL PAYMENTS

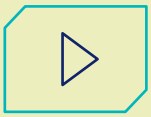
This segmentation of the digital capacity of Shakti entrepreneurs helped to tailor the intervention needed for onboarding, but also the communication strategies to drive adoption and usage, which took the following three forms.

1 INFORM

Introduce women entrepreneurs to the program, informing them of the potential business benefits. Then keep them up to date with key information regularly. In this program, the introduction was via WhatsApp, with a follow-up phone call (both scripted). The later key information, including on how to use the Shikhar app, was shared via WhatsApp.

2 NUDGE

Encourage adoption with nudges throughout the user journey. In this program, this included continual engagement with the local salesperson. This was supplemented by incentives in the form of Ushop points to reward certain stages of digital uptake.



3 GUIDE

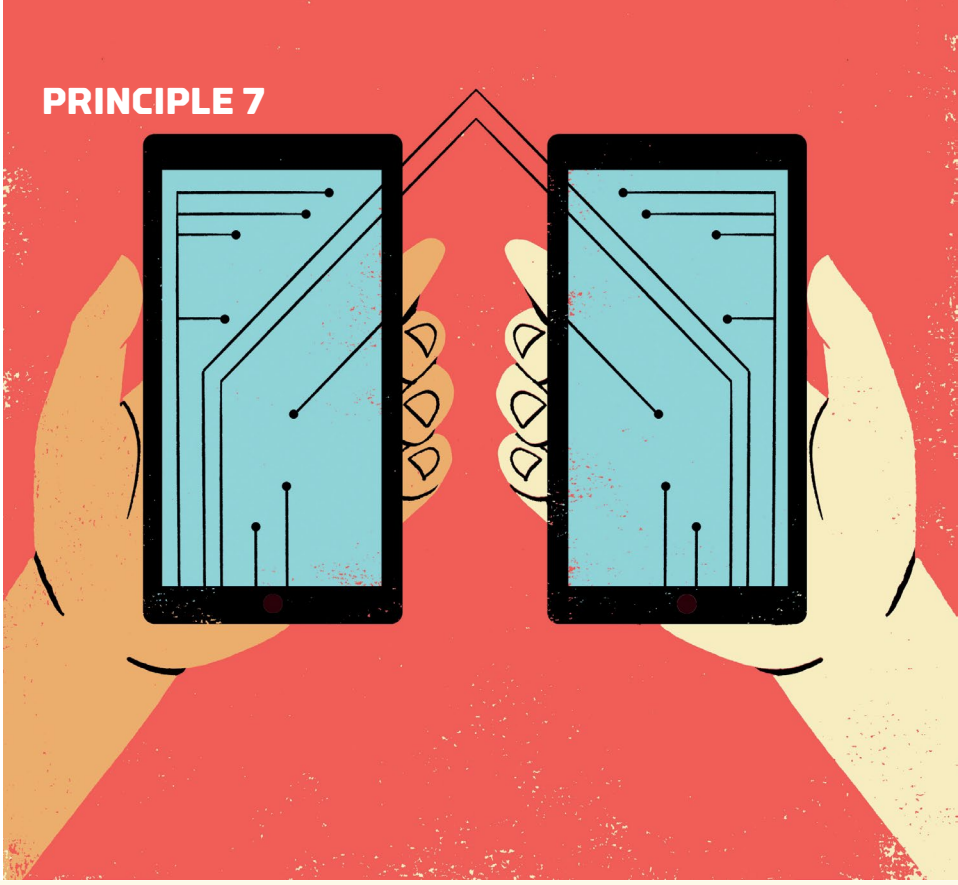
Provide tools to guide entrepreneurs through the digital transition. This program shared relevant YouTube videos on popular UPI-enabled apps, to explain their configuration, benefits, and security. Shakti entrepreneurs also received user guide videos via WhatsApp on installing and using the Shikhar app.

One of the key items of learning from this process was to explore, in the next iteration of the digitization initiative, how to develop solutions that could also include, for example:

- Entrepreneurs who do not have a bank account
- Distributors who are not able to reconcile digital payments with current solutions

6. PROVIDE USER CHOICE THROUGH INTEROPERABILITY

PRINCIPLE 7



WHY THIS RESPONSIBLE PRINCIPLE MATTER

The full benefits of digital inclusion will be unlocked only when services are truly interoperable. Developing a successful open digital payments ecosystem starts with an architecture that facilitates the seamless flow of data and funds across different providers and platforms. This is supported by participatory policy development and governance that suits the context of a specific country or region, protects users' interests within this context, and incentivizes the continued participation of providers in the public and private sectors. **Most importantly, it requires ecosystem-wide buy-in, collaboration, and collective innovation from banks, PSPs, and agent networks.**

Many users today experience services within fragmented ecosystems, where providers operate independently, neither sharing data nor transacting across one another. Some providers offer such flexibilities at a cost, which deters users from transacting with peers and retailers. These fees are out of reach for underserved populations particularly, many of whom live in rural or low-income communities.

The next leap forward hinges on how swiftly governments, companies, international development organizations, and providers move toward ecosystems supported by open infrastructure. **This transition will lead to a seamlessly integrated digital payments experience, greater user choice and, ultimately, still stronger demand for digital payments.**

For companies, some of the key recommendations noted in the UN Principles for Responsible Digital Payments include the following.

- Invest in shared infrastructure to reduce costs and increase access to digital payments at the last mile.
- Collaborate with competitors to invest in common infrastructure for digital payments, such as to allow merchants to make payments at local retailers.

> **"There are fewer hassles since I have started to receive payments digitally. The money gets credited to my account and I can use it in the same day"**
>
> **Shyamsundar Agarwalla,**
> **HUL distributor, Odisha**

© Re-emerging World

LEARNING FROM DIGITIZING THE SHAKTI NETWORK

Increasing user choice reduces onboarding friction and enables accelerated adoption.

The interoperability of financial payment services allows customers and merchants to exert choice in how they pay, and where they pay from. Increasing user choice reduces onboarding friction and enables accelerated adoption. **This is of particular importance in rural markets, where merchants may not have the same level of access to FSPs as their urban counterparts.**

The B2B Unilever Shakti digitization program assessed different solutions for digitizing the payments for HUL's Shakti entrepreneurs. I**ncreasing user choice and ensuring access to different solutions drove the selection of UPI.** UPI had higher levels of interoperability, responsiveness, transparency, and security than most other digital payment solutions, especially in the Indian rural context.

UPI is a mobile-first, instant, and interoperable payment platform, available 24/7 and designed to ride the growth of smartphone adoption in India. Options for feature phone users are also being developed in UPI. Using mobile phones as the primary devices for payment authorization can completely transform the requirements for infrastructure, making them simple, low-cost and universal.

The interoperability of UPI enabled Shakti entrepreneurs to choose whichever UPI application they preferred, independently of the HUL Shikhar app or FSP. It could be applications or providers that:

- they were more accustomed to
- offered more incentives (i.e., rebates) to transact digitally
- Gave the closest access point to their shop or home

Allowing rural merchants to choose the digital payment providers reduced onboarding friction. UPI interoperability also meant merchants could accept payments from customers with different UPI applications and different banks. **UPI also allows any future new providers or solutions to be added to the platform and be available for retail payments without requiring new partnerships or IT integration for the Shikar app. This helps to ensure the solution is built for growth and resilience.** Moreover, UPI provides a ready path to smoothly scale up the solution across regional geographies with diverse, locale-specific FSPs, without requiring new integrations with regional FSPs.

Two initiatives by the Reserve Bank of India are also exciting to further boost last-mile retail transactions and facilitate the deeper penetration of digital payments. **One is a proposal that UPI-based payments be enabled for feature phones, which could further access to digital payments for retailers and women entrepreneurs at remote locations.** The other is a directive allowing interoperability through UPI within prepaid instruments like mobile wallets.

Unified Payments Interface - making digital payments interoperable

The Unified Payments Interface (UPI), conceived by India's central government, is a strong example of an open and inclusive digital payments ecosystem, where the government has been collaborating with the private sector to guarantee buy-in and inclusion. By March 2021, UPI had been consistently logging more than 2.5 billion transactions per month.

The solution pairs the seamless exchange of data via open application programming interfaces (APIs) with a customizable front end to democratize access to, and the usability of, digital payments. **UPI exemplifies how an open, inclusive, and digitized public infrastructure can help to catalyze digital payments for micro and small entrepreneurs.** Some of the notable features include women-focused digital literacy campaigns, and simplified electronic know-your-customer (e-KYC) checks and onboarding.

The UPI system has built an unprecedented level of interconnectivity among FSPs. **It has allowed for the simple integration of fintech players and non-banking entities on its platform, effectively allowing any merchant or consumer to pay any other entity, irrespective of their chosen FSP.**

To enable confidence among customers and merchants in digital payments, the Reserve Bank of India has put in place a framework for the resolution of customer complaints. UPI-Help allows users to check the status of pending transactions and to raise complaints for transactions that have not been processed or for money not credited to the beneficiary. **Every end user can raise a complaint with respect to a UPI transaction by using the relevant mobile application, which will also keep them updated of the status.**

1

User Friendly: UPI Interacts through a virtual identity and does not require setting up beneficiary account details

E-transfers like NEFT/RTGS need initial beneficiary account set up - not easy for rural retail merchants

2

Eliminates the need for storing payee's money: The money is debited directly from the payee bank account for UPI payments.

E-wallets store payee's money without any incentive; require payee to transfer from bank account to e-wallet to payer

3

Simplicity: UPI is simpler to configure and set up, which is relevant for less literate rural users

Setting up a banking account needs higher level of savviness

4

Better Security: UPI uses a two-step authentication process in the interest of safeguarding user data.

5

Rapidly Growing Popularity: In India, a host of payment applications are providing UPI payment options which in turn makes it a highly scalable digital payment option.

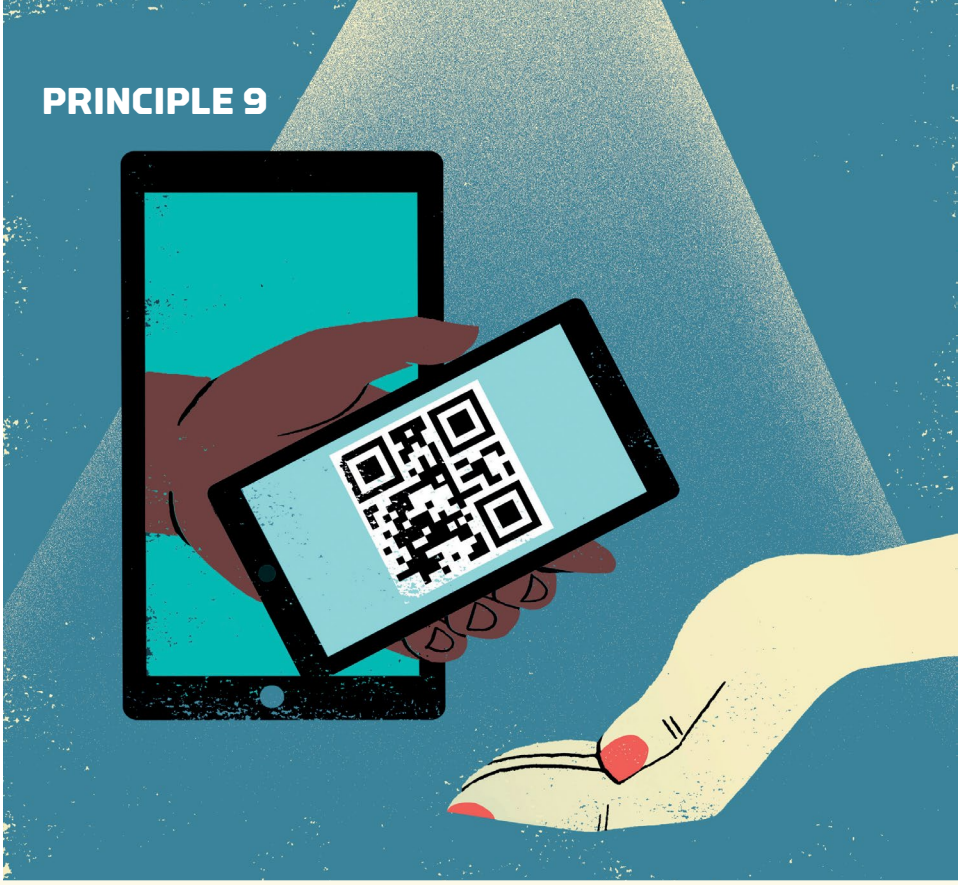
6

Zero Merchant Discount Rates (MDR): on UPI, that means no transaction cost for distributors for accepting digital payments through UPI.

MDR is a processing fee levied by payment service providers typically for debit/credit card payments, which is borne by the payee

For more about UPI, see npci.org.in/what-we-do/upi/product-overview

7. CHAMPION VALUE CHAIN ACCOUNTABILITY



WHY THIS RESPONSIBLE PRINCIPLE MATTER

Businesses are advancing to digitize payments throughout their supply chains. Prominent fintechs and banks are experimenting with different roles beyond being payment processors. There is a rising number of aggregators built on open APIs (Application Programming Interface). Agents are broadening their influence. Indeed, digital payments have actively disrupted supply chains. Although this underlines some of the key advantages over legacy cash transfers, it also introduces new challenges. As these phenomena grow, the relationships between actors using digital payments (merchants, suppliers, individuals) and actors providing or enabling these payments (agents, aggregators, banks) are becoming more complex. Yet, in many markets, regulation has not kept pace.

The case for promoting responsible digital payments is clear. Many are already applying these principles to their relationships with providers. In most cases, actors have delegated providers to oversee responsible behavior from agents, third parties, and others. Accountability from a compliance perspective typically rests with providers, who hold a custodial responsibility over users' funds. From the user's perspective, however, it can often be baffling to identify who is responsible for either detecting or offering recourse for problems. It is thus vital for all actors to take a holistic approach, expanding their perspectives on responsibility beyond providers to the far reaches of their supply chains.

Explore UN Principles for Responsible Digital Payments at www.responsiblepayments.org

For companies, some of the key recommendations noted in the UN Principles for Responsible Digital Payments include the following.

- Companies like those providing fast-moving consumer goods (FMCGs) can drive responsibility across the supply chain by providing value-adding incentives for distributors and merchants, and supporting these stakeholders' digital payment experiences collaboratively.
- Companies such as global garment brands can invest in new partnerships and investments that result in greater benefits and added value on top of the digital payment accounts for workers in their supply chains.
- Use service-level agreements to enforce provider responsibility (e.g. to give users a unified recourse mechanism) across the digital payments value chain.
- Assess PSPs, such as with periodic spot checks, user ratings of agents, feedback surveys, and mystery shopper activity to suggest improvements.

LEARNING FROM DIGITIZING THE SHAKTI NETWORK

When working in value chains, digitizing rural entrepreneurs in isolation will not be effective. **To ensure effective transition to digital ordering and digital payment, HUL and the Alliance started by mapping and detailing the transactional flows, behaviors, constraints, and existing relationships in the Shakti retail network across all players of the ecosystem.** This in turn helped in designing stakeholder-specific interventions across the retail channel and adopting an integrated approach to ensuring accountability.

It is especially important to ensure the readiness of enabling actors within the value chain, such as sales and delivery agents, so that they can assume responsibility. Distributors on the other end of the value chain also need to appreciate the benefits of accepting digital payments over cash, and need to be ready to make the transition. **When a digitization program has an integrated approach and brings in distributors, it helps to remove value chain-related adoption barriers for the entrepreneurs.**

> **"I feel more comfortable getting paid in digital, as there is a low risk of money being stolen on the way, reduces error while counting, and saves cash-handling cost"**
>
> **Pankaj Bajaj, HUL distributor, Uttar Pradesh**

To ensure ownership in the adoption of digital payments across the value chain, it was important to map the roles of the actors involved in the process of orders and payments, and to devise specific interventions for each (see Table 2). To this end, the B2B Unilever Shakti digitization program, alongside evaluating entrepreneurs' readiness, made an assessment of rural distributors within the value chain. This determined their level of readiness with respect to human capacities, operational capabilities, and technical capacities (see Figure 4). **This helped the teams to understand the capacity-building needs and so design specific interventions for distributors that would drive the adoption of digital payments.** Efforts have included continuous learning programs, recognizing the success of distributors, and trade incentives to drive the adoption of responsible digital ordering and payments across the value chain.

© Re-emerging World

TABLE 2:
Mapping interventions to roles in the payments chain

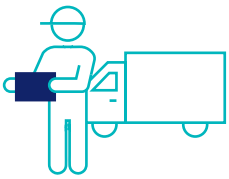
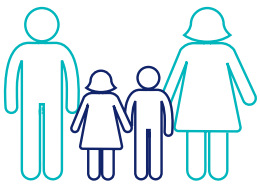
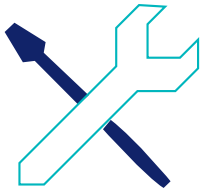
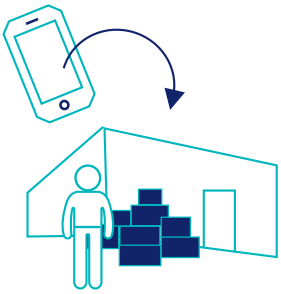
	PRESENT ROLE	DIGITIZATION INTERVENTION
Shakti entrepreneurs	• Place orders physically with local salesperson • Pay in cash	• Drive adoption of digital ordering and payment through the Shikhar app • Support this with training, assistance through initial adoption, communications, and nudges
Local salespersons	• Take orders from Shakti entrepreneurs • Occasionally collect cash (typically for orders placed on credit)	• Develop the capacity of local salespeople to act as trainers to facilitate entrepreneurs' digital transitions
 **Delivery persons**	• Distributor resource • Deliver products to Shakti entrepreneurs • Collect cash on delivery	• Communicate program objectives • Emphasize acceptance of digital payments on delivery (enabled by the distributor intervention below)
Rural distributors	• Take orders via local salesperson from Shakti entrepreneurs • Accept mostly cash payment	• Technical enablement for digital ordering and payment
 **Rural consumers**	• Buy goods from Shakti entrepreneurs • Pay in cash	• Consumers were outside the scope of this program, but Shakti entrepreneurs who started to accept digital payments from them have made the digital transition more effectively

FIGURE 4:
Three key areas for evaluating distributor readiness





1 Human Capacities

Evaluate the level of human resource readiness for self-onboarding, troubleshooting, and managing the transition. Discover their fears and motivations around digital payment adoption.

Intervention: Share knowledge within the team through trainings, workshops and developing reading material. Include key personnels like delivery agents, operators, and head of departments in the capacity building plan.

2 Operational Capabilites

Identify the need in upgrading the operational capacities in order processing and fulfilment required for digital transition.

Intervention: Support distributors in processing low volume and off-route orders which might arise after women entrepreneurs have more autonomy to order.

3 Technical Capacities

Assess the technical readiness around accepting digital payments. Distributors often look for ability to process digital orders and simplified reconciliation for accepting digital payments.

Intervention: Simplify IT systems for distributors and enable them to accept digital orders and payments.

Post evaluation create a package of solutions including a capability improvement guide for distributors

Some of the challenges that emerged from engagement with distributors are important areas for development, including:

- Handling and reconciling a mix of digital and cash payments
- Lack of technology infrastructure within rural distribution businesses (pen-and-paper process)
- Inability to efficiently fulfil high-frequency, low-volume orders generated by entrepreneurs using the digital ordering platform

CASE IN POINT

GHANSHYAM AGGARWALLA, HUL DISTRIBUTOR, ODISHA.

Laxmi Store in Odisha started off as a traditional family business in 1972, which is run by Ghanshyam Agarwalla.Ghanshyam has the experience of accepting digital orders through the Shikhar App from urban retailers since 2019, and this experience has helped the organization make a quick transition in this rural digitization program. Laxmi Store's transition from accepting cash to digital payments was enabled by two key factors -

1. **Clarity in the Value Proposition:** Ghanshyam strongly feels switching from accepting cash to digital payments will reduce costs, eliminate cash handling risks, and improve efficiency for his business. *"I would be really happy if everyone I serve started paying me digitally."*, he shared.
2. **Technical and Human Resource Readiness:** Laxmi Store uses an-accounting software to reconcile cash and digital payments. It has a trained team of operators and delivery persons adept in processing digital orders and reconciling payments.

Laxmi Store has been one of the early adopters among distributors, yet there are some concerns that are potential impediments to its digital adoption. This includes efforts needed to reconcile partial digital payments and identify efficient ways to fulfill low volume off-route orders.

"I strongly believe accepting digital payments has the potential to improve the net income of the distributors"

Ghanshyam Agarwalla HUL Distributor Proprieter, Laxmi Store

PRINCIPLE 8

MAKE RECOURSE QUICK, CLEAR AND RESPONSIVE

The proliferation of digital payments has ushered troupes of new actors into last-mile delivery. Additionally, the COVID-19 crisis has turbocharged the volume of digital governmental payments to new users. Unsurprisingly, these shifts have seen a commensurate increase in disputes and grievances, making it vital for redressal systems to advance synchronously with the sector. For the underserved, recourse systems are a lifeline. A loss of funds, or of the ability to use them, is more important to rural merchants.

A successful recourse system is one that shares clear information with the user, caters for equal access, and delivers resolutions that are timely and accountable. Insights and feedback generated through the recourse procedures will strengthen and improve existing structures and processes.

To bolster the quality of customer recourse, the Shakti digitization program invested in the development of robust internal support mechanisms. This gave frontline field staff an escalation and resolution path for complaints. With close monitoring, the program was able to detect anomalies in the user experience and to proactively address the technical and operational issues early on. For instance,

© Re-emerging World

8.RECOMMENDATIONS

The following four recommendations – developed from the learning gained in the B2B Unilever Shakti digitization program, and aligned with the United Nations Principles for Responsible Digital Payments – are important for successfully scaling up support for Shakti entrepreneurs to digitize their businesses.

Anchor digital transformation in business relationships and trust

- Principle 1: treat users fairly

FMCG companies, distributors, and all the supply chain players have important roles to play in helping kirana stores to develop resilient digital skills. **They bring the trust, commercial relationship, and understanding of business requirements that women entrepreneurs and FSPs need to scale up the adoption of digital payments across India.**

Building capacities and incentivizing the frontline sales team of FMCG companies toward digital transformation will also be critical for scaling up. Rural entrepreneurs trust the local salesperson due to their longstanding relationship, and consider them to be the first point of contact for troubleshooting.

It is important to offer continual engagement during the onboarding journey for women entrepreneurs, especially in the key moments when they might otherwise drop out (e.g. after registration for the ordering app, after configuration of the mobile payment app). Five to six digital ordering and payment cycles will be needed for them to become fully immersed in the digital way of working. Clear communication and loyalty schemes help the user to stay invested in the program.

> **"I have saved INR400 in one of my orders redeeming 400 Ushop points, and have received 50 Ushop points more now"**
>
> Shakti entrepreneur, Odisha

> **I have started contributing to most of the family decisions since joining the Shakti program. My social interaction and participation in the community has increased.**
>
> Shakti entrepreneur,
> Uttar Pradesh.

Be ready to integrate gender intentionality into all aspects of service design

– Principle 3: prioritize women

Women play an important role either as owners or operators of small retail shops in India. This was recognized early on by HUL when designing the B2B Unilever Shakti digitization program, focusing on enabling rural women in villages across India to nurture an entrepreneurial mindset and become financially independent. **With the integration of technology, HUL ensured that incentives for Shakti entrepreneurs would be transferred directly into bank accounts in their names, thereby encouraging the women to enter the formal banking segment**.

The B2B Unilever Shakti digitization program has clearly shown that, when moving from cash to digital payments, women can be affected by limited access to a smartphone or to a dedicated featured phone (versus having access only to a family phone), by poor access to ID, and by a limited facility to go to bank branches or agents. It is therefore critical to incorporate gender intentionality into all aspects of service design, including onboarding, interfaces, and support, to ensure women can be fully integrated and can benefit from digital financial services. This means taking steps to ensure you understand the market constraints facing women, and appreciating that women and girls have different needs at various stages in their life cycles that can be addressed by different financial and non-financial services.

Women also experience distinct challenges when it comes to access to, and use of, these services, including challenges with basic financial and digital literacies.

Developing and tracking specific metrics on women's adoption and their engagement with the digital solution helps to adapt the user experience and to proactively identify where women may be experiencing challenges. Identifying the points at which women may be disengaging helps to prevent any systemic obstacles from otherwise remaining invisible.

Segment rural entrepreneurs based on their digital readiness

- Principle 5: design for the individual

In recent years, India has witnessed an increasing uptake of fintech products among kirana stores, although mostly in urban and peri-urban areas. **Fintechs have specialized dedicated resources that can allow rural entrepreneurs to rapidly scale up their digitization efforts. For the fintech partner, this user group will strengthen their market penetration strategies.**

Scale-up across India can be supported quickly by focusing on fully ready and semi-ready users. These have existing bank accounts, access to functional debit cards, experience using digital payments, and good access to phones and the network. Yet less digitally ready users must not be omitted from such scale-up, lest the digital divide is widened. This will require strategies to give access to smartphones and debit cards, for example through exploring partnerships with rural banks and other FSPs.

Scaling up digital adoption needs a collaborative approach, in particular for FMCG companies

- Principle 7: provide user choice through interoperability

- Principle 9: champion value chain accountability

When working in value chains, it will not be effective to digitize rural retailers in isolation. Instead, finding solutions for merchant digital readiness in rural India requires multi-stakeholder partnerships among FMCG companies, distributors, government agencies, fintechs, and FSPs. The challenges of access to and the adoption of digital payments by small retailers in rural areas are simply too large and complex for a single sponsor or entity to take on alone – and the benefits of digitizing merchants are shared by all stakeholders, from distributors to governments and end consumers.

> **"Once most of my network entrepreneurs start making digital orders and payments independently, I can spend more time in business-development activities"**
>
> Nilesh Khodake,
> HUL local salesperson,
> Maharashtra

Engagement and alignment among the leading FMCG players on the training of sales representatives or on building the capacities of distributors will go a long way toward building trust and convincing small retailers to adopt digital ordering and payment solutions. For example, a coordinated communication campaign between FMCG companies, government, fintech, and FSPs to address the key benefits of digital payment for retailers and distributors could drive adoption.

Working with distributors to ensure their engagement, and defining the value added for them in the digitization process, is another important area of development that can be done jointly. When segmenting distributors based on their readiness for digital transformation, some of the challenges: that emerge – and so can be targeted for engagement – include handling and reconciling a mix of digital and cash payments, a lack of technology infrastructure within rural distribution businesses (pen-and-paper processes), and an inability to efficiently fulfill high-frequency, low-volume orders generated by merchants using the digital ordering platform.

Glossary

Digitally ready user

An entrepreneur who has a UPI-compatible payments app, linked to their bank account, installed on their smartphone, and does not need any additional support in configuring a UPI-compatible app.

Kirana store

A small, usually family-owned shop selling groceries and fast-moving consumer goods.

Route trainers

A team of dedicated people appointed specifically for this program. They are responsible for coaching and supervising salespeople and assisting Shakti entrepreneurs with digitization.

Rural areas

In this program, villages in India with a population of less than 10,000 people.

Shakti entrepreneur onboarding

Introducing the Shakti entrepreneurs to the digitization program and completing the registration process on the Shikhar app.

Shikhar app

An ordering application integrated with digital payment capabilities developed by Hindustan Unilever Limited (HUL) for its network of retailers and entrepreneurs.

Transitioning user

An entrepreneur who does not have a functional UPI-compatible payments app; however, they have a debit card and need support with UPI configuration.

Interface (UPI)

An instant, real-time digital payment system developed by the National Payments Corporation of India.

Unready user

An entrepreneur who does not have a debit card and/or a smartphone in their family, and is not technically ready to place orders digitally and use a UPI-compatible payments app.

UPI configuration

The act of a customer downloading the UPI application of their choice, creating an ID, also known as virtual payment address, and generating the PIN, by using the debit card linked to their bank account.

Ushop points

Cashback rewards, redeemable against future orders, given at specific stages of digital adoption.

Notes

1. https://www.unilever.com/planet-and-society/raise-living-standards/helping-sme-retailers-grow/
2. UN Principles for Responsible Digital Payments, Better Than Cash Alliance, 2021. www.responsiblepayments.org
3. https://www.orfonline.org/research/digitising-indian-retail-analysing-challenges-and-exploring-growth-models/
4. National Informatics Centre, *DigiDhan Dashboard*, Ministry of Electronics and Information Technology, New Delhi, https://digipay.gov.in, accessed 1 June 2022.
5. *Digitisation in urban cooperative banks:* depth and differentiation, Reserve Bank of India, Mumbai, https://www.rbi.org.in/Scripts/BS_ViewBulletin.aspx?Id=20942, accessed 16 May 2022.
6. *Retail payment habits in India - evidence from a pilot survey,* Reserve Bank of India, Mumbai,
7. *United Nations principles for responsible digital payments,* Better Than Cash Alliance, New York, 2021, https://responsiblepayments.org, accessed 16 May 2022.
8. Ibid.
9. *Helping SME retailers grow*, Unilever, London, https://www.unilever.com/planet-and-society/raise-living-standards/helping-sme-retailers-grow, accessed 16 May 2022.
10. *Enhancing livelihoods through project Shakti,* Hindustan Unilever Limited, Mumbai, https://www.hul.co.in/planet-and-society/case-studies/enhancing-livelihoods-through-project-shakti, accessed 16 May 2022.
11. https://www.unilever.com/planet-and-society/raise-living-standards/helping-sme-retailers-grow/
12. *Reaching financial equality for women a 10-point action plan for governments and businesses to rebuild stronger after COVID-19 by prioritizing women's digital financial inclusion,* Better Than Cash Alliance, New York, https://btca-production-site.s3.amazonaws.com/documents/570/english_attachments/Reaching_Financial_Equality_for_Women_2.5mb.pdf, accessed 16 May 2022.
13. Better Than Cash Alliance, Women's World Banking, and the World Bank Group, *Advancing women's digital financial inclusion*, G20 Global Partnership for Financial Inclusion, 2020, https://www.gpfi.org/sites/gpfi/files/sites/default/files/saudig20_women.pdf, accessed 16 May 2022.
14. Ibid.
15. The study was conducted across 64 rural retailer households in two states – Maharashtra and Uttar Pradesh.

© Re-emerging World

Abbreviations

B2B	Business-to-business
COVID-19	Coronavirus disease 2019
FMCG	Fast-moving consumer good
FSP	Financial service provider
HUL	Hindustan Unilever Limited
INR	Indian rupee
PSP	Payment service provider
QR CODE	Quick-response code
UPI	Unified Payments Interface

Acknowledgements

The authors would like to thank the following people who facilitated and contributed to the project and the report in numerous ways.

Hindustan Unilever: Saif Jamali, Nikhil Khadse, Satyendu Krishna, Saurabh Moondhra, Namit Pandit,Prashant Raikuvar, Kamal Sahu, Abhijit Sen, Sadruddin Sheikh, Vidushi Singh, Dhruv Sodani, Shalaka Virkar, Yashmi Yadav

Unilever: Aleksandra Adamska, Pheodor Njoroge

Bopinc: Emile Schmitz, Prasenjit Sengupta, Johan van der Schaaf

Special thanks to Re-emerging World for leading the development and documenting the case studies presented in the report, in particular Avik Roy, Debanjan Nag, and Elizabeth Tarafdar.

Smollan: Suvrajyoti Chakraborty, Mandar Kulkarni, Stalin Alexander, Sonu Kuril

Better Than Cash Alliance: Tanu Chhabra Bahl, Ruth Goodwin-Groen, Amit Gurung, Keyzom Ngodup Massally, Prerna Saxena, Shruti Sharma, Tidhar Wald

Photo Credits: Re-emerging World and Hindustan Unilever Limited

The Better Than Cash Alliance is a United Nations-based partnership of governments, companies, and international organizations that accelerates the transition from cash to responsible digital payments to advance the Sustainable Development Goals.

www.BetterThanCash.org

Hosted by UNCDF
Unlocking Public and Private Finance for the Poor

Hindustan Unilever Limited (HUL) is India's largest Fast-Moving Consumer Goods company with its products touching the lives of nine out of ten households in the country. HUL works to create a better future every day.

www.hul.co.in

Resource Partners

Bill & Melinda Gates foundation

Federal Ministry for Economic Affairs and Energy

Norad Norad

Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Confederation

Federal Department of Economic Affairs, Education and Research EAER
State Secretariat for Economic Affairs SECO

Sida

USAID FROM THE AMERICAN PEOPLE

ISBN 978-1-7350409-9-8