Search for frictionless solutions to spur innovation in fintech

(From left) Rajesh Sehgal, angel investor, and managing partner, Equanimity Investments; Navin Chandani, chief business development officer, BankBazaar; Rajeev Arora, chief operating officer, Fino Paytech Ltd; Leslie D'Monte, national technology editor, Mint; Naveen Surya, managing director, ItzCash, and chairman, Payments Council of India; Manish A. Shah, head, digital bank, Nainital Bank (a subsidiary of Bank of Baroda); Venkatesh Hariharan, director (fintech), iSpirt, during a panel discussion at Mint Fintech Summit in Mumbai on 23 June PHOTOGRAPHS BY ABHIJIT BHATLEKAR

BY A STAFF WRITER
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MUMBAI

Innovation in fintech will be spurred by customers' search for "frictionless solutions" as they demand seamless movement between transactions with their banks and other financial institutions, concluded the panellists participating in the discussion on *Finnovate: Fintech five years hence* at the Mint Fintech Summit held recently in Mumbai. The panellists were: Rajesh Sehgal, angel investor, and managing partner at Equanimity Investments; Rajeev Arora, chief operating officer at Fino Paytech Ltd; Naveen Surya, managing director at ItzCash Card Ltd and chairman of Payments Council of India; Manish Shah, head (digital bank) at Nainital Bank (a subsidiary of Bank of Baroda); Venkatesh Hariharan, director (fintech) at Indian Software Product Industry Round Table (iSpirt); and Navin Chandani, chief business development officer at *BankBazaar.com*. The session was moderated by Leslie D'Monte, national technology editor of *Mint*. Edited excerpts:

Arora: Can we enable byte-sized banking for people who want to do banking but with a smaller quantum? For all of these technology companies, we want to see how we can make that possible. Does that happen overnight? No. Trust is the big denominator when you give someone your money. To begin with, there will be branches, which will be trust points for customers. But the touchpoints will be digital—mobile phone, websites and others.

Chandani: Millennials are looking for solutions that are frictionless. For instance, if you want to take a credit card, can you do it paperless? The India Stack is disrupting everything. Our business model is paperless, and the experience the user gets is superlative, not just for millennials but for everyone. We have been using fingerprints for over a decade in our banking system. Aadhaar-based authentication eKYC and eSignature—these still need some applicability as per law. Once that is settled, however, it will become omnipresent.

Hariharan: Change is under way, especially by way of the Unified Payments Interface (UPI)—a component of the India Stack, which aims to bridge the digital divide in the country. UPI was going to become a driver of data on which future fintech innovations could be created. Paytm has already said that, in the next few months, it will come on UPI; WhatsApp will also come on UPI. The next version of UPI will have a button that will allow users to download their transaction data, which will have a digital stamp. This will become the basis of lending to small and medium enterprises. UPI and Aadhaar-linked bank accounts will open up huge opportunities in the next few years.

Sehgal: Most fintechs in India see themselves as enablers and disruptors. Most entrepreneurs are focused on addressing that small problem that everyone else is also looking at. If you really want to disrupt the space, you need to think of not just India but also Bharat. You have to make a material change. After payments, lending—particularly to small and medium enterprises—is a major area of interest for investors and companies in the fintech space. We are still keen to put our money in fintechs—it's a key thing we are looking at in our portfolio.

Shah: In the next five years, there will be some customers who will say, "I do not want to go anywhere" (for my banking needs). The point is, we are never "One India": over a period of time, these same 20 India(s) would have progressed even more.

For instance, for a driver, the innovation is getting his salary credited to his account—so for him, agreeing to have his salary directly credited is also a big (deal). Until you have physical cash in the system, you will need (physical) touchpoints. Until the regulator can start a digital currency, issued through banks or non-banks, there will be these touchpoints.

Surya: We're still at 93-94% physical payments. What is the real growth and the real change? Most fintech start-ups see banks as the "centre" of all their innovation and try to create solutions around them. By keeping their attention focused on banks, these fintechs continue to compete for a small part of active bank accounts in India.

I urge the companies to target those accounts and customers who are not active—what is there to disrupt in 2-4% of the penetration?

The existing financial sector is like the early days of telecom, when a couple of state-owned companies ruled the roost. The problem lies in the euphoria around fintech because of the market opportunity.

Praveen Hari, a fellow at iSpirt.

'Data-driven lending to aid micro, small enterprises'

BY A STAFF WRITER
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MUMBAI

Data-driven lending by banks and non-banking financial institutions will help bring formal credit to more individuals and micro, small and medium enterprises, giving the sector an edge over moneylenders, according to research by think tank Indian Software Product Industry Round Table (iSpirt).

"With more digital payments which banks and other institutions can track to determine banking and credit history of a borrower, it will become easier to make loans to small shopkeepers, entrepreneurs and agricultural workers who rely on high interest rate informal loans for their credit needs," said Praveen Hari, a fellow at iSpirt, in his special address at the Mint Fintech Summit in Mumbai.

"What is changing is the number of Internet users in India, which is now at 335 million, with the hockey stick growth of Internet usage with Reliance Jio, (Infocomm Ltd)" Hari added. "The value of digital payments has gone up. With all these digital footprints and data, how do you assemble that product for someone who does not have access to the formal (credit) economy?" he asked.

One way to get around the cumbersome checks of formal lending, according to Hari, is to move the paperwork and clearance process to the mobile. He cited the example of a shop owner who may want a Rs5,000 loan for working capital but can't afford to take a day off to go to the bank and do the paperwork. "I (the shop owner) need this without moving away from my shop," Hari said, pointing out that the informal moneylender will visit the house or shop, give the money and go, "and again come to collect it (principal or interest as the case may be) later at my shop".

With compliance measures for the goods and services tax (GST) in place, lenders to the small and medium business segment will have a repository of tax filings to make lending decisions and offer loans. "Seven million GST and 10 million non-GST and 10 million street vendors in the metros are very underserved by the formal economy," said Hari.

But the implementation of GST could change the situation. Once lenders are able to get a consolidated view of the borrowers' tax returns, they can more easily figure out how much to lend to each prospective customer, he added.

Where is fintech headed? 7 start-ups chart their course

BY A STAFF WRITER
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Financial technology, or fintech as it is better known, began with nimbler start-ups first disrupting banks with their innovative approaches and later evolved with the latter also building partnerships with the banks to strengthen the entire financial services ecosystem. As part of the *Mint* Fintech Summit held on 23 June in Mumbai, we invited seven such small and nimble companies—that deal with a range of disruptive technologies including artificial intelligence (AI), machine learning and blockchain implementation—to give us a glimpse of where fintech is headed. Here are brief profiles (listed alphabetically) of these trailblazers:

Atyati Technologies CEO Prakash Prabhu.

Atyati Technologies: Mobile delivery

Bengaluru-based Atyati Technologies Pvt. Ltd, is a technology platform provider for the rural banking sector in India. Founded in 2006, the company's technology solutions have been designed to enable the delivery of services in untapped markets using multiple devices such as mobile phones, netbooks, tablets, thermal printers, pin pad devices, cards and biometric scanners.

In May 2012, business process outsourcing firm, Genpact Ltd, acquired Atyati. In September 2016, Metdist Group company Geosansar Mauritius bought Atyati from Genpact. Atyati currently serves 19 banks across the country with over 12,000 points of service offering multiple products including savings accounts, loans, deposits and schemes such as the Pradhan Mantri Jeevan Jyoti Bima Yojana.

"Our application leverages secure identity and the entire payment infrastructure provided by Aadhaar and the National Payments Corporation of India (NPCI) ecosystem," said Prakash Prabhu, the company's chief executive officer (CEO).

"One feature that differentiates us is our model of providing end-to-end operations. The management team consists of people from the technology domain (erstwhile i-flex Solutions) and the operations domain (Genpact) to ensure a handle on end-to-end servicing and not just technology," he added.

The company's long-term vision is to have more services and products—custom lending products, insurance, e-tailing, etc.—across more geographies and more points of service, besides achieving quality-of-service levels in remote areas that are on a par with those in the metros.

Moshpit Tech CEO Rajat Deshpande.

FinBox: Banking on apps

This fintech aims to increase the revenue of lenders by increasing the number of customers on their books by reducing the cost of acquiring and servicing the loan—which it essentially does by building software tools such as application programming interfaces (APIs) and software development kits (SDKs).

According to Rajat Deshpande, CEO and co-founder of Moshpit Technologies Pvt. Ltd, which brands its solutions as FinBox, "Applications such as wealth management apps, personal finance management apps, insurance and financial products distribution apps and digital lending apps use FinBox tools to enhance their user experience and reduce cost." He describes FinBox as a business-to-business (B2B) technology firm that does not compete with other fintech companies but collaborates with them.

"We are a technology-focused player, which keeps us agile and our model asset-light and less risky," he added. Launched in December 2016, FinBox currently has six team members.

Going forward, however, it has ambitious plans for growth. "In the future, we see FinBox as a full stack fintech API platform providing access to payment APIs for B2B start-ups, blockchain implementation, underwriting and light-weight decision systems and personal finance management APIs," Deshpande said.

Deshpande hopes FinBox will be the "backbone" that will be used "to create fintech experiences in India and Asia Pacific".

FlexiLoans Technologies co-founder Abhishek Kothari.

FlexiLoans: Data-driven

The goal of FlexiLoans, the fintech platform run by Mumbai-based FlexiLoans Technologies Pvt. Ltd, is to provide working capital financing to small- and medium-sized businesses in India that are currently underserved by traditional institutional channels due to lack of collateral or inadequate credit history. "We provide unsecured loans to these segments by using alternative, data-based risk scoring models to assess the borrower risk," said Abhishek Kothari, a co-founder of the company.

Founded by four alumni from the Indian School of Business, FlexiLoans currently employs 60 people and has the backing of some well-known names as investors and mentors—including Sanjay Nayar, CEO of Kohlberg Kravis Roberts (KKR) and Co. India, Vikram Sud (former head of operations and technology for Citigroup Inc. in Asia Pacific) and Anil Jaggia, the chief operating officer at Avendus Capital Pvt Ltd.

Kothari believes that a "strong focus" on data and technology has helped his company in all his online customer acquisitions at FlexiLoans. A variety of data sources are used to score, filter and assess the applications received through the platform, according to Kothari. Outlining his company's vision, Kothari said, "In three-five years, we will be a brand synonymous with pure digital lending using machine learning and artificial intelligence techniques that give real-time approvals and economic viability on micro-value loans."

Gumption Labs Software Solutions co-founder Anuraag Saboo.

FundExpert: Robo adviser

Gumption Labs Software Solutions Pvt. Ltd, which launched FundExpert's automated investing platform in 2016, wants to make monitoring investments "super-easy, using algorithms". The Bengaluru-based company, which also runs TradersCockpit.com—a do-it-yourself equity advisory platform—has built a proof of concept that was "tested out successfully with Barclays Wealth", according to co-founder Anuraag Saboo.

The company is now extending its marketing efforts for FundExpert, which "auto-manages the portfolio" for passive investors, using mutual funds as the primary investment medium. "We believe in completely automating the entire investment journey for the user. And unlike other platforms, we do not deploy any in-house human expert for advising users—everything is completely automated," insisted Saboo.

Besides addressing the common investor questions of where and how much to invest, FundExpert aims to be a "complete robo-advisory", tackling three more critical financial questions a user has: when to invest, when to redeem, and when to re-invest.

"The answers will be personalized for each user keeping in mind his existing investment history and applicable tax laws," said Saboo. Besides, he added, the solution is also available as an application programming interface/software development kit (API/SDK) for existing wealth management platforms as well as mobile wallets.

IndianMoney.com CEO and founder C.S. Sudheer.

IndianMoney.com: Financial guidance

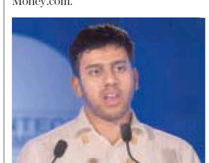
"Unlike any other fintech platform where you have abundant information which consumes time and requires certain skills, our platform offers consumers with ready-to-consume capsules," said C.S. Sudheer, CEO of IndianMoney.com (Suvision Holdings Pvt. Ltd), which he founded nine years ago with "just one computer and an internet connection" in a friend's office.

Today, IndianMoney.com boasts of being "India's largest financial education company", with over 200 employees, serving 80,000 financial intermediaries and 3 million consumers. The company focuses on providing "free, unbiased financial guidance" to the common man over a phone call.

"When everyone in the market is gung-ho about going digital—and we are also geared to be there—we believe that human touch is essential in personal finance in India (and Bharat) owing to poor financial literacy," said Sudheer.

Hailing from an agricultural family in Thirthahalli, Karnataka, Sudheer was inspired to start this initiative when he met an auto driver who lost his life savings in an insurance policy "mis-sold to him by a reputed insurance company".

On his future plans, Sudheer said, "At present, we are educating 14,000 people per day on the phone call and we aim to increase it to 100,000 people per day over the next three years through both voice and chat bots. In five years down the line, we aim to hit a target where 2% of Indian financial services are fulfilled by IndianMoney.com."



KrypC's head of business development Varun Nagarajan.

KrypC: Blockchain riders

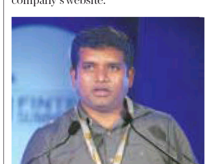
This fintech provides blockchain technology solutions to various organizations to enable them "to utilize blockchain features such as privacy, security and trust", among others. Blockchain is a secure, distributed online ledger system and the underlying technology behind crypto-currencies such as bitcoin.

"Blockchain is still in the exploratory stage today and one of the main challenges is to integrate it with legacy data, often requiring lot of investments in coding, skills and even doing a proof of concept," said Varun Nagarajan, head of business development, KrypC.

The company addresses these challenges by building a platform through which businesses, including financial institutions, can quickly implement a blockchain solution—with virtually "a near-zero development effort".

KrypC helps organizations to interact with legacy systems without the need for replacing them through its tool called KrypCore. The tool allows businesses to just "drag and drop certain components" and quickly map out a blockchain solution for a particular process or business need, according to Nagarajan. The idea is to enable them to test out blockchain for their respective use cases swiftly and with relatively lower investments compared to a situation where they do it entirely on their own.

Currently bootstrapped (own funds), KrypC employs over 30 people, has an entity in the UK and is in the process of setting up a US office, according to the company's website.



Turtlemint CEO Dhirendra Mahyavanshi.

Turtlemint: Insuring its future

There is a symbolic meaning behind the name, Turtlemint, of this Mumbai-based fintech: with 'turtle' shell signifying safety and 'mint' indicating money. Touted as India's first online-offline insurance platform, Turtlemint is building a pan-India network of offline partners and, according to co-founder and CEO Dhirendra Mahyavanshi, has been "a pioneer" in the online insurance aggregation domain with offerings like 'match score', 'policy recommender', 'renew in a snap', etc.

"Our approach has helped us scale up our business to 6,000-plus policies per month in a capital-efficient manner," he added. While Mahyavanshi has previously worked with Quikr and ICICI Lombard, the other two co-founders—Anand Prabhudesai and Kunal Shah—cut their teeth on firms like Yahoo, eBay and Deloitte.

Mahyavanshi cited a few things that differentiate the fintech from others in the space: a feature-rich technology platform that helps Turtlemint partners digitize their business; an ecosystem to diversify their portfolio of offerings; and training and post-sales operational support. He said Turtlemint's vision is to be "the No. 1 insurance distribution platform which caters to all insurance servicing needs of a digital partner". In the next three-five years, the firm plans to expand to over 100 tier-2 and tier-3 cities and build a 10,000-strong digital partner network.