

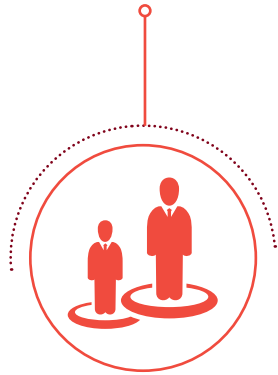


PwC's FinTech Insights

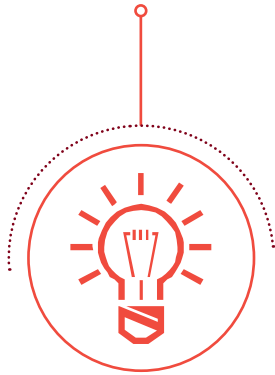
December 2017



2017: The year of the customer



Our insights



From around the web



FinTech tales



Contacts





2017: The year of the customer



2017 proved to be a significant milestone in the growth of financial services in general and FinTech in particular in India. Demonetisation sowed the seeds for the rapid adoption of digital payments and banking. FinTechs have helped accelerate the growth immensely through innovative products and solutions. Investments into the FinTech space in India witnessed frenzied activity this year, with the total value of investments jumping by 388% from 383 million USD in 2016 to 1,868 million USD in the first three quarters of 2017.¹ Further impetus was provided by a number of favourable guidelines issued by the regulators in the consumer-facing space.

Multiple events and activities in the FinTech space crystallised together, leading to a very interesting journey for consumers in 2017.

Better access to finance

With over 1 billion mobile phones, 325 million broadband connections and 306 million new bank accounts, India became a case study in digital financial inclusion, driven by Jan Dhan, Aadhaar and mobile (JAM), as reported by the Ministry of Communications. Such efforts brought more people into the formal banking ecosystem, and FinTech innovation has helped create solutions that can be customised for different strata of customers.²

The alternative lending industry, focused on people without access to formal credit lines due to lack of sufficient credit history, continued to attract attention.

More than 225 alternative lending companies were founded in India in 2017 and the industry was the second most funded in India's Fintech space.³

One of the biggest challenges for firms was the lack of regulatory support for new lines of business. The year marked a significant shift in this space as well, with RBI releasing guidelines for person-to-person (P2P) lending. The RBI directions were a significant step towards creating a differentiated and sustainable lending model in India and bringing more of the unbanked population into the formal economy.



1. CB Insights

2. NPCI

3. Tracxn



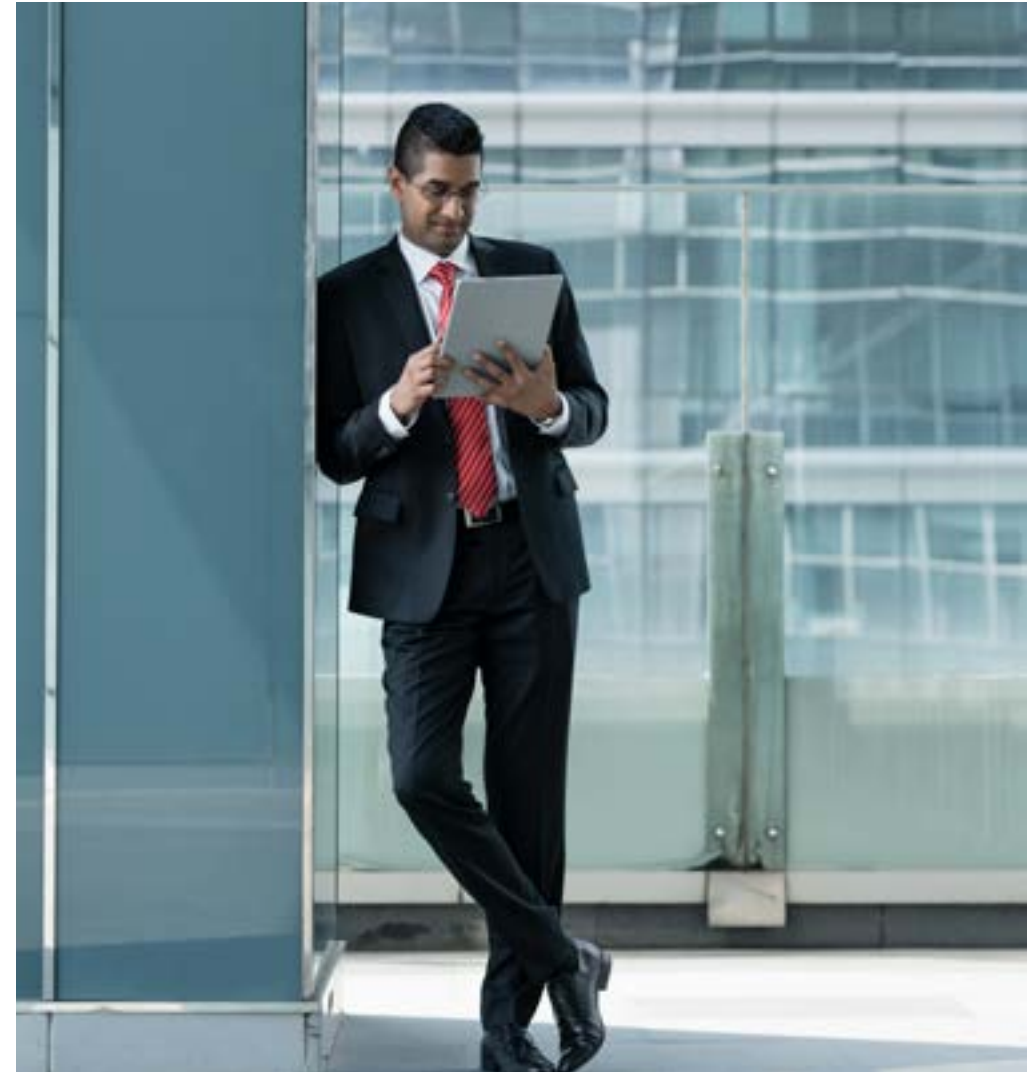
A seamless user experience

One of the roadblocks in user experience in the past was the inefficient, costly and broken verification processes at the time of customer registration. This is now history thanks to the advent of Aadhaar and India Stack. According to the National Payments Corporation of India (NPCI), eKYC verifications have jumped to almost 77% to 84 million from FY16–17 to FY 2017–18, speeding up the on-boarding process and reducing costs significantly.

The next stage of evolution was the transacting environment. The growth story of Unified Payments Interface (UPI) was one of the key highlights of the year. As per official statistics from NPCI, UPI volumes stood at 105 million in November 2017, an exponential jump of more than 10 times in just six months. Quite a few firms have rolled out innovative solutions utilising UPI. Alongside, there were two other significant developments in the government's push for digital payments—lowering of the merchant discount rate (MDR) for smaller merchants and, subsequently, the waiving of MDR for transactions up to 2,000 INR which will further boost the adoption of digital payments in India.

Many FinTech players are also contemplating offering EMI payments and direct debit options over UPI to consumers, potentially making the transaction ecosystem smoother and more frictionless.

In terms of boosting the digital experience, we saw many incumbent banks move to virtual assistance and chatbots powered by AI, and we can expect to see more localised and intuitive avatars in 2018. Watch out for the emergence of voice as the new interface.





Spoilt for choice by strategic partnerships

Over the last two years, traditional financial institutions started perceiving FinTechs as collaborators rather than competitors. With an uptake in FinTech activity, 2017 saw almost 46 strategic partnerships and deals between lenders, payment companies and FinTech innovators.

With many innovative partnerships over the last year, consumers definitely have more 'one-stop' mobile solutions to choose from, and this space is expected to get even more exciting.

Rise of the retail investor



The retail investment space has also seen a steep rise this year. According to data from industry regulator SEBI, mutual fund folios grew by over 95 lakh in the first eight months of the current fiscal year to an all-time high of 6.5 crore by November end. Apart from consumers looking at mutual funds as the preferred destination to park their money post demonetisation, this can also be attributed to a variety of factors, including better offerings by incumbents and the rise of robo-advisory platforms.⁴



⁴ SEBI

⁵ PwC



What to expect in 2018 and beyond

Along with the segments mentioned above, a few others could also emerge and will be exciting to watch. One of the areas with low digital penetration currently in India is insurance, but many new online insurers and marketplaces that seek to offer seamless and digital distribution models are coming up. Traditional insurance players are also looking to partner with such entities to expand their penetration and scouting for data partnerships with drone, wearable technology, IoT, telematics and other types of tech start-ups to augment their risk assessment and offerings.

The Second Payment Services Directive (PSD2) guidelines around open banking in Europe may see a positive impact in India as well, with banks and FinTechs further collaborating over innovative APIs to offer customised solutions.

Alternative data would be the key to unlock access to credit for new customers coming into the banking fold. Expect more data-related partnerships to be inked between incumbents/FinTechs and utilities/payments/telcos/e-commerce/retail players.

The blockchain is poised to enter the mainstream with use cases such as digital identity, cross-border payments, and trade finance powered by platforms from enterprise application providers.

Incumbents would focus attention on the application of FinTech and emerging technologies in the middle and back office to solve for regulatory compliance, faster audits, fraud/anomaly detection and better reconciliations.

In retail investing, discount brokerages and robo-advisory platforms will continue to fuel growth and low-cost investment options for consumers. On the other hand, cryptocurrencies and initial coin offerings (ICOs) are an emerging area across the globe, and have also seen interest from retail investors in India.

But most are treading with caution as it is a regulatory grey area.

Overall, the picture looks promising for consumers, and they should continue to remain the king with FinTechs challenging and also working together with traditional financial institutions to provide a better, faster, larger and more secure catalogue of innovative services.





An exclusive look at the latest developments and evolving technologies in the FinTech space

MDR rationalisation: A big impact on small merchants

The government has been pushing for the growth story of small and medium-sized enterprises (SMEs) through a number of initiatives such as encouraging banks to lend more to this sector, Goods and Services Tax (GST) exemptions for intra-state small traders, being positive towards ideas of green finance in the SME sector and SME-focused sustainable development goals of the United Nations (UN).



[Read more.](#)

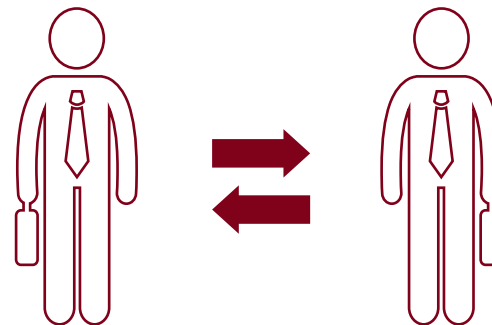


Digital identity: Changing the way financial institutions connect with consumers

A seamless and secure e-ecosystem is the key requirement for fuelling further growth of digitisation. For achieving this, it is necessary to accurately identify each user and establish a unique ownership of the underlying transactions. The increased use of online platforms, including social media networks, for accessing financial services has led to an alarming growth in cybercrime. Instances of email accounts, professional network passwords, and credit card details being compromised have become more frequent, and the task at hand is to restore the confidence of the consumer in the security of digital transactions.



[Read more.](#)



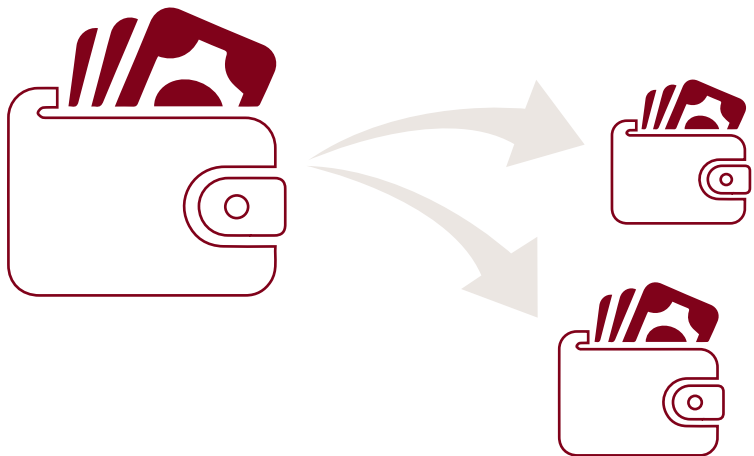


IoT: The catalyst for invisible payments

Long before the advent of today's smart wrist wearables, we saw Hollywood's James Bond using his watch to receive messages from headquarters, and long before any company began prototyping connected cars, we saw him in high-speed car chases by navigating through the streets in his smart car augmented with sensors. Previously the domain of fantasy, such devices are now becoming a reality as a new class of tools accessible to the government, consumers and businesses alike.



[Read more.](#)





Global insights handpicked by PwC

Bitcoin barely rates a mention among top risks to financial system

The U.S. government's chief watchdog for financial system threats put out its annual list of potential nightmares, and the burgeoning market for digital currencies such as bitcoin didn't rate much more than a few lines in the 152-page report.



[Read more.](#)

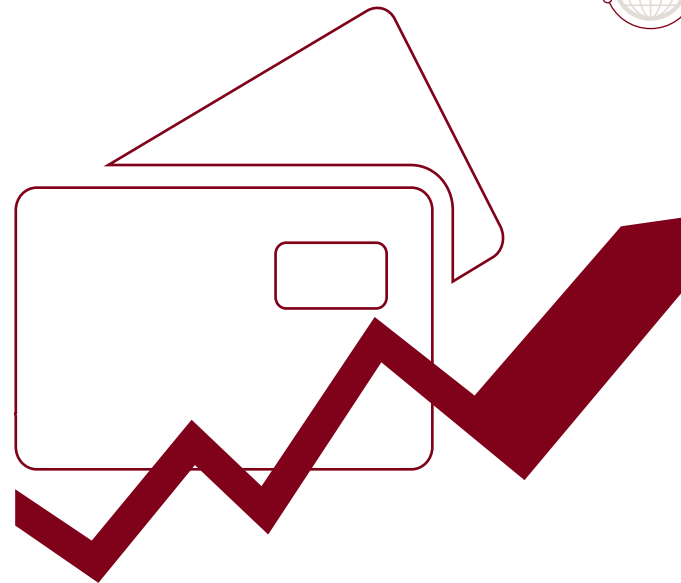


Fintech listed as emerging risk to financial stability

For all its benefits, Fintech is cropping up as a concern because of its potential to disrupt financial stability. That's according to a new report from Depository Trust & Clearing Corp., which surveyed people in financial services to get their views on what the biggest risks are to economic security.



[Read more.](#)



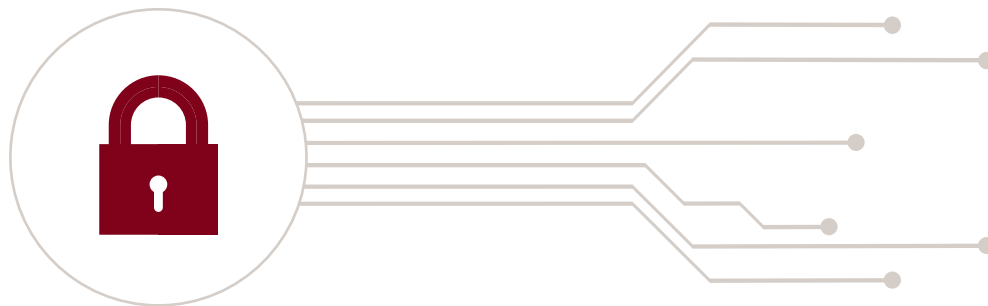


Regulators take positions on distributed ledger technologies

As blockchain and distributed ledger technologies (DLT) become more widely explored in the mainstream financial services industry, amid multiple test cases by incumbent institutions, regulators are having to decide how to police their use within the markets under their mandate.



[Read more.](#)



How digital banking can protect against the big tech invasion

Retail banking is being attacked by both small FinTech firms as well as the big tech giants like Google, Amazon, Facebook, Apple and others. The best defense that traditional financial institutions can use against this invasion is a strong, personalized digital banking offense.



[Read more.](#)



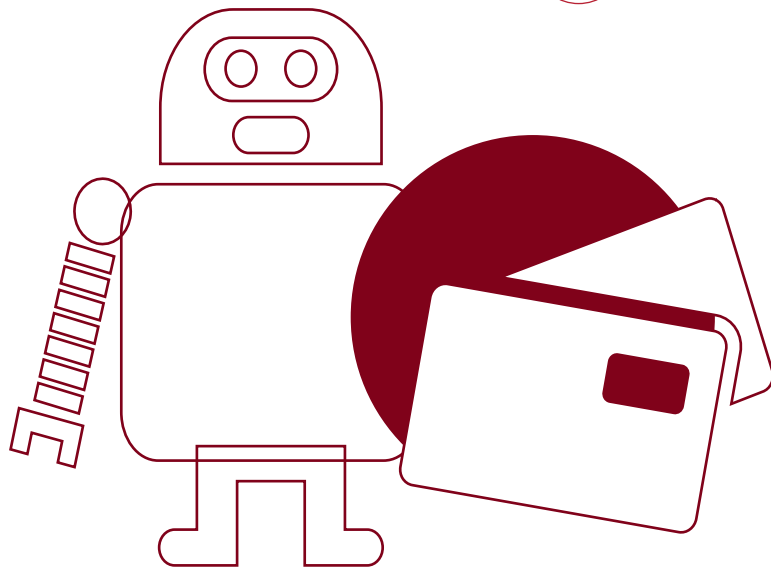


Robots are changing the way we save money, too

Whereas traditional systems have you hiring needlessly overqualified professionals for large sums of money to complete low-value tasks, artificial intelligence helps automate the entire procedure from start to finish, eliminating low-value positions of employment.



[Read more.](#)





News on recent investments, partnerships and expansion in FinTech in India

Investments

	Company	Cash Suvidha
	Sector	Lending
	Ticket size	2.7 million USD
	Investor(s)	Debt funding by six institutional investors (undisclosed)
	Company overview	Company overview: Cash Suvidha is a digital lending platform with the aim of uplifting families who do not have access to banking services as well as SMEs.

	Company	FlexiLoans
	Sector	Lending
	Ticket size	7 million USD
	Investor(s)	Financial institutions (undisclosed)
	Company overview	FlexiLoans is an online marketplace targeted to meet the financial requirements of SMEs who do not have a credit history and hence cannot avail of loans from traditional banking channels.



Source: <http://www.moneycontrol.com/news/business/companies/fintech-startup-cash-suvidha-raises-2-7-million-in-debt-2462561.html>



Source: <https://yourstory.com/2017/12/rs-100-cr-fund-raise-flexiloans-raises-first-debt-fund-rs-45-cr/>



News on recent investments, partnerships and expansion in FinTech in India

Investments

	Company	Simility
	Sector	Fraud detection
	Ticket size	17.5 million USD
	Investor(s)	Accel Partners
	Company overview	Simility helps companies prevent fraud and abuse in real time with machine learning, big data analytics and data visualisation capabilities.

	Company	Happay
	Sector	Payments
	Ticket size	10 million USD
	Investor(s)	Sequoia Capital India
	Company overview	Happay is an online business expense management solution that streamlines user expense workflows from end to end and offers real-time visibility and control over business spends.



Source: www.vccircle.com/us-based-tech-startup-simility-raises-17-5-mn-in-series-b-round/



Source: <https://techstory.in/happay-raises-funding-sequoia-2017/>



News on recent investments, partnerships and expansion in FinTech in India

Investments

	Company	Mswipe
	Sector	Payments
	Ticket size	41 million USD
	Investor(s)	C-RNT Fund, Matrix Partners India, Falcon Edge Capital, and DSG Consumer Partners
	Company overview	Mswipe is an independent mobile POS merchant acquirer and network provider. The company believes in serving the smallest of merchants. India currently has 12–15 million SMEs and mobile POS is the only channel which can efficiently link these SMEs to mainstream financial services and digital commerce.



Source: <http://www.thehindubusinessline.com/info-tech/mswipe-closes-series-d-funding-above-40-million/article9985187.ece>





News on recent investments, partnerships and expansion in FinTech in India

Partnerships

	Start-up	Cash Suvidha
	Partnered with	HomeCapital
	Sector	Lending
	Purpose	To extend credit to first-time home buyers.
	Source: https://economictimes.indiatimes.com/small-biz/startups/newsbuzz/cash-suvidha-partners-with-homecapital-to-bring-credit-to-first-time-home-buyers/articleshow/62019830.cms	

	Start-up	Capital Float
	Partnered with	StoreKing
	Sector	Lending
	Purpose	To meet the credit demand in the rural market by providing working capital loans to small retailers.
	Source: https://economictimes.indiatimes.com/small-biz/startups/newsbuzz/capital-float-partners-with-storeking-to-extend-credit-to-rural-india/articleshow/61833580.cms	



News on recent investments, partnerships and expansion in FinTech in India

Partnerships

	Start-up	Qwikcilver
	Partnered with	Samsung
	Sector	Payments
	Purpose	To launch the gift card store on Samsung Pay, where consumers will have access to gift cards from over 20 brands.
	Source: https://economictimes.indiatimes.com/small-biz/startups/newsbuzz/qwikcilver-partners-with-samsung-pay-for-gift-card-store/articleshow/61836343.cms	

	Start-up	Benow
	Partnered with	APT Online
	Sector	Payments
	Purpose	Benow has built a low-cost acceptance platform to enable even micro businesses accept electronic payments using BharatQR. Following the partnership, 4,800 customer service centres in Andhra Pradesh and Telangana will receive payments through Bhim and UPI.
	Source: https://timesofindia.indiatimes.com/business/india-business/startup-benow-plans-to-cover-small-shops-under-bharatqr/articleshow/62075829.cms	



News on recent investments, partnerships and expansion in FinTech in India

Partnerships



Start-up

Rubique



Partnered with

CIBIL



Sector

Credit scoring



Purpose

Rubique has announced its partnership with CIBIL today, India's premier credit information company (CIC), to provide credit scores and valuable insights on its platform, thereby increasing the transparency in the conventionally opaque credit-seeking process for its users.



Source: <http://www.thehansindia.com/posts/index/Business/2017-12-14/Rubique-ties-up-with-CIBIL-to-allow-easier-access-to-credit-score-checks/345412>





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