



Overview of Fintech Industry

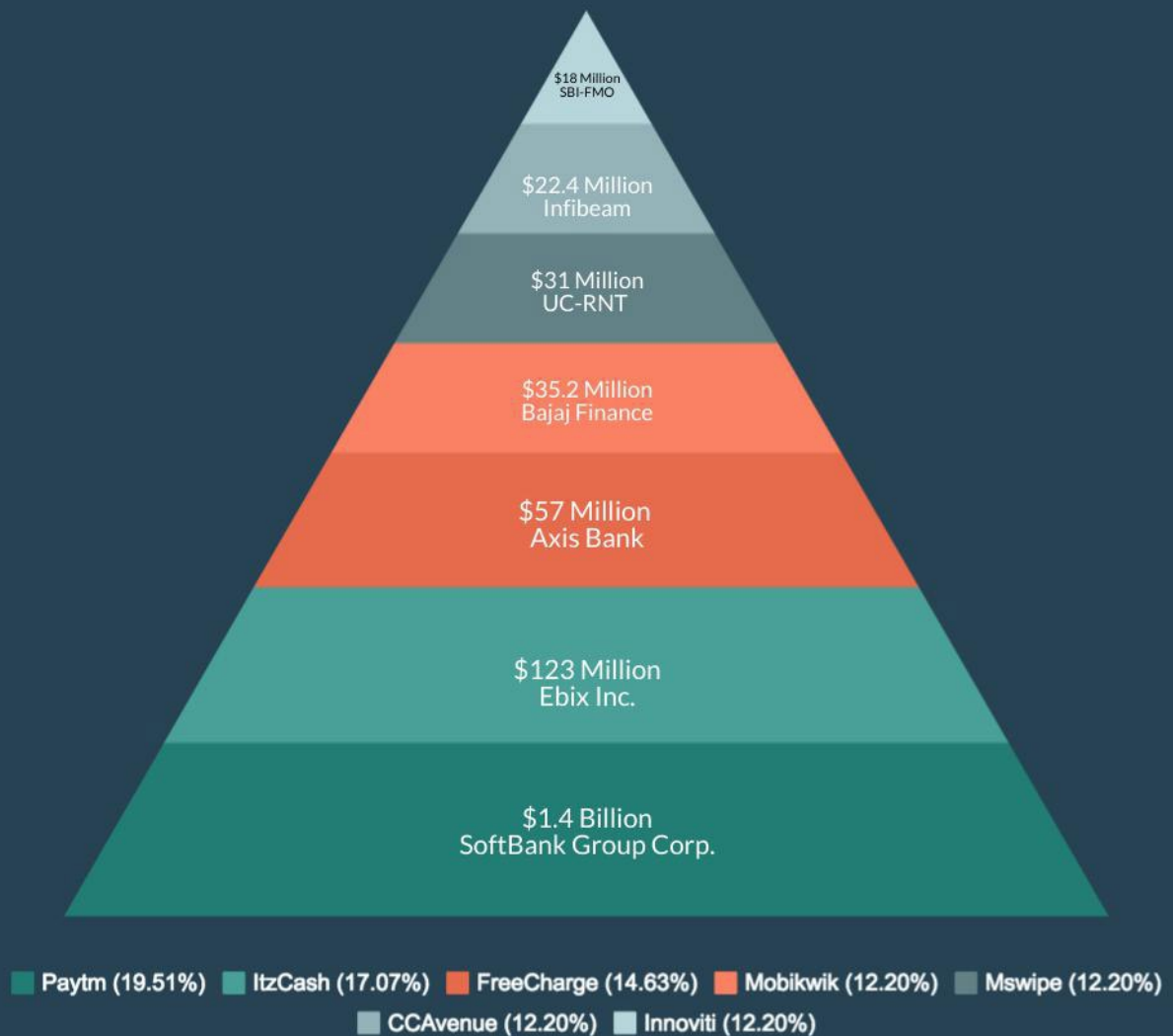
Prime Minister Narendra Modi's demonetisation drive has given a 'significant' boost to the fintech sector in India. It's emerging fast and hence scores high on investor confidence. Financial technology space have topped the funding charts in 2017 (from January – August) and beat the most glamorous of all the sectors, eCommerce, in terms of funding raised. **In H1 2017, more than \$2B (~\$2150M) was invested in Indian fintech startups in 76 deals** across sub-sectors such as MPoS (mobile point of sale), digital payments and wallets. **Maximum investment in this space took place at the late- stage with 29 deals.** Companies like Paytm, FreeCharge (Now acquired by Axis Bank), ItzCash, MobiKwik, Mswipe, CCAvenue, Innoviti, Coverfox, MoneyTap, LendingKart, Aye Finance and Perfios raised maximum funding.

Fintech companies who have raised significant investment this year.

- In May 2017, **Paytm raised \$1.4 billion** from Japanese conglomerate SoftBank Group Corp. at a valuation of around \$8 billion.
- Mumbai-based payments services firm **ItzCash had raised \$123 million** (Rs 800 crore) from Ebix Inc., a US-based SaaS company that caters to the insurance and financial services industry, in May 2017.
- In January 2017, Jasper Infotech Pvt Ltd, which runs e-commerce firm Snapdeal, invested close to **Rs 390 crore (\$57 million) in Free Charge**, filings with the Registrar of Companies (RoC) show. Now Free Charge got **acquired by Axis Bank** for \$60 million (Rs 385 Cr) in July.
- In August, **MobiKwik**, a player in the digital payments space, has entered into a strategic alliance with Bajaj Finance and **raised \$35.2 million** in exchange for an 11% stake.
- In June 2017, Independent POS (point of sale) merchant acquirer and network provider **Mswipe Technologies secured Series D funding of \$31 million**. UC- RNT fund, a joint venture between Ratan Tata's RNT Associates and University of California along with existing investors Matrix Partners India, Falcon Edge Capital, and DSG Consumer Partners participated in the round.
- In February 2017, Infibeam had agreed to invest about **\$22.4 million (Rs 150 Cr) for further acquiring 7.5% equity shares of CC Avenue**, said the company in a regulatory filing.
- In July 2017, Bangalore-based fintech firm **Innoviti Payment Solutions Pvt. Ltd has raised \$18 million (Rs 120 Cr) in a Series B round** led by the SBI-FMO Fund, Bessemer Venture Partners LP and existing investor Catamaran Ventures.

TOP Investments In FinTech Companies 2017

Company Investments



Not only startups but big players are also foraying into financial space. Below companies are proof:

In June, **Flipkart announced its plan to launch fintech business** and the company wanted to bet on this sector to cater to customers in smaller cities and towns. Flipkart said that they will hire a senior executive to build out this business. In April when Flipkart secured \$1.4 billion from blue-chip technology companies Microsoft, eBay and Tencent, the company announced its plans to invest in new businesses such as PhonePe and fintech considering opportunities in online money transfer segment.



In July 2017, **Amazon has invested an additional \$20 million (Rs 130 Cr) into digital payments entity, Amazon Pay India**, as per regulatory filings.



In June, **Hike Messenger** became the first messenger app in India to launch the digital payments feature. The company **launched Hike Wallet**, the easiest and most fun way to send and receive money.



Facebook-owned **WhatsApp** is also expected to launch a **P2P payment system in India**.



In July, **Google was also planning to foray into digital payments**. The company was in advanced talks with NPCI to integrate its digital payment service, Android Pay, with UPI.



In June 2017, **Air Asia Group announced its plan to launch a fintech platform 'The Big'** which will help smoothen the inflight purchases and transactions, for its 60 million annual customers.



Latest Trends in Fintech



Globally we are witnessing a growing influence of fintech over financial services; India is also experiencing a similar collaboration between the traditional banking sector and fintech players, specifically startups who are disrupting the space. There is a greater investment in technology that is enabling end to end digital payment solutions,” said

Harshil Mathur, Co-Founder and CEO, Razorpay. “Below are the key trends we witness and predict for our industry.”



Mobile Everything

The consumer wants their life to be as mobile as possible, so the traditional banks & fintech solution providers have been putting resources into improving their mobility. More importantly, the focus on mobile-first is enabling FinTech companies to become more customer-driven, which equals better experiences for consumers.

Chatbots, machine learning & AI

One of the most common cited trend to watch this year is the rise of chatbots in banking, powered by increasingly intelligent systems based on artificial intelligence (AI) and machine learning. The chatbot is not a new innovation, but implementing this in business context is new. Uses cases of chatbots in fintech extends to messaging apps such as Telegram who has recently rolled out digital payments and integrated with Razorpay for chatbot payments, wherein users of Telegram 4.0 and later updated versions can pay for goods or services through bots, which will include a Pay button to their messages.

Banks & Fintech firms to partner

Over the past few months, we've seen a dynamic shift in the relationship between fintech and more traditional bankers. Both are now reliant on each other's respective advantages to build better customer experiences. For banks, fintech partnerships offer a fast and iterative approach to innovation without the need for massive capital expenditures -- and they can also help to promote a higher standard of trust with customers. For fintech companies, banks come to the table with deep pockets, massive customer bases, vast amounts of real-world infrastructure and big data. According to a recent Business Insider report, 87% of banks that have partnered with financial service providers (fintech companies) have been able to cut costs. Additionally, the same study found that 54% of partnerships increased revenue.

BANKS & FINTECH STARTUPS PARTNERSHIP



*Ties up with 80
Startups*



*Formed a blockchain
forum called
Bankchain*



Blockchain moves out of the labs into the real world



Block-chain has received a lot of hype, especially through the lens of bitcoin as it moves from proof-of- concept into production and we start seeing operational success, not on a large scale but at least in the early stages. We should see this in particular in cross-border payments and trade finance. Overall, however, blockchain will still be restricted to the 'low hanging fruit' in banking.

also shared his views about the latest trends in Fintech. He added, **"The biggest trend, I see, is that Fintechs will continue to 'un-complicate' personal finance for consumers.** They will make financial transactions, and the interactions associated with them, easier and more convenient, and also reduce the overall costs for doing these financial transactions.

In the current scenario, where India is rapidly embracing technology to meet its financial needs, the role of Fintechs will be critical in helping customers make this paradigm shift. The entire financial ecosystem, from lending to payments to investment to insurance, will hugely gain from financial technology."

Naveen Kukreja
CEO & Co-founder, Paisabazaar.com



How Blockchain Works?

STEP
1

New transactions are
broadcasted to all nodes



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010

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STEP
2

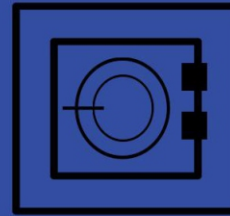
Each node collects
new transactions into
a block

101
010

101
010

STEP
3

Each node works on
finding a difficult proof of
work for its block



STEP
4

When a node finds a proof of
work, it broadcasts the block
to all its nodes

STEP
5

Nodes accept the block only
if all transactions in it are
valid and not already spent



Nodes express their
acceptance of the block by
working on creating the next
block in the chain, using the
hash of the accepted block
as the previous hash

STEP
6

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While speaking about the Governmental efforts towards promoting digitisation of financial systems and reducing cash transactions in the economy, **Sashank Rishyasringa, Co founder of Capital Float** mentioned, **“Government based technology and data like GSTN and AADHAAR will play an increasing role in financial inclusion of SMEs and consumers** at grassroots level, as these will generate behavior patterns or digital trails. Consumer experience will continue to be enhanced as TATs are reduced and financial processes are simplified. Investors are keeping a keen eye on the Indian landscape with world-class capital specialists making sizeable investments in high potential startups in India.”

Sashank Rishyasringa
Co-founder of Capital Float



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Bhavin Turakhia, Co-founder and CEO, Zeta highlighted some **cutting edge technologies** which are being used for digital payments. He stated, “Contactless payments like Near Field Communication (NFC) and Radio Frequency Identification (RFID) based payments solutions are witnessing a good adoption in the market. We have witnessed a spike in inquiries for Zeta Super Tag™ - our NFC enabled payment which has a 97 per cent success rate in payments. Similarly, the RFID based Zeta Super ID solution is also gaining popularity as people prefer quick payment solutions.

Bhavin Turakhia
Co-founder and CEO, Zeta



Another interesting trend that is going gain traction in India is the collaboration between Banks and Fin Tech companies. Traditional Banks, Non-Banking Finance Companies (NBFC) and upcoming Banks are eager on expanding their digital footprint as customers move online. Fintech startups will play a key role in providing technical services to these financial institutions for various functions such as card management, customer life cycle management, digital payment system integrations and more, which will bring down the costs of developing their own back-end systems for the same.”



Adhil Shetty, CEO and Co-founder, Bankbazaar.com summed up fintech trends in three points which are as follows:

Paperless: Financial institutions are increasingly looking to move from physical, paper-based procedures to online, digital, paperless procedures to increase customer convenience, improve efficiency, and reduce costs.

Instant: There is heightened interest in new technologies like Aadhaar online authentication and India stack services like eSign that reduce service delivery times from many days/weeks to instant service.

Data-driven: Perception of data is changing, with use of more data and better data mining for better services to customers, reduce NPAs, and to reach vast set of people who do not have previous financial history.

Adhil Shetty
CEO and Co-founder, Bankbazaar.com



Fintech is the flavour of the season not only in India but Globally. There are major disruptions happening in how Banking & Financial sector is transforming. "Being in digital Lending segment **we see trend moving to end to end digital products** rather than a lead gen model that was there 2 years back. Value add, cost savings, reduction of time, better monitoring and ease of use are the key factors leading to the change," said **Jinand Shah, Founder, CapitaWorld.**

Jinand Shah
Founder, CapitaWorld





Devendra Rane, Founder & Chief Technology Officer, Coverfox.com also added his views about how 'government is helping in fintech' and 'what role technology is playing in financial services'. He highlighted, "The large-scale efforts of the Indian government towards financial inclusion, in the form of Jan Dhan Yojna, Aadhar and UPI have been effective in enabling better outreach of financial services towards both, urban as well as rural India. In addition to that, **there has clearly been more inclination towards leveraging data analytics, artificial intelligence, machine learning, Blockchain and IoT to improve the financial products and services**, the user experience as well as the data storage infrastructure. The need for transparency in financial services is being fulfilled with the ready adoption of such technologies. Extensive data modelling has enabled us to help insurance companies in profiling risk and understand product affinities.

We feel that Insurtech innovation has just touched the tip of the iceberg with the retail sector. There's still ample scope for innovation on insurance distribution related to micro insurance, agriculture, SME and several areas, where technology will unlock these benefits for greater good and industry growth."

Fintech is at the forefront of innovation in India and worldwide too. It unarguably is the pioneer of automation and trendsetting as the business affects the economies of various nations.

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Devendra Rane
Founder & Chief Technology Officer, Coverfox.com



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While there are many trendsetters in fintech, **Blockchain and RegTech are being looked at as the next milestone in fintech big bang** and has garnered an optimistic reception from financial institutions and regulators,” told **Mahesh Khaderbad, CEO and Co-founder, FinMomenta**.

“Blockchain can offer a platform that ensures flexibility, transparency, and security via its distributed ledger which records and distributes transactions in real time. With the inherent concept of open ledger, decentralized platform, smart contracts and integrated central database, blockchain achieves transparency, cost effectiveness, regulatory compliance and risk analysis in the lending process.

The other trendsetter which is going to be a pathbreaking in Indian financial services Industry is RegTech. With Regulations playing a vital role in financial services and the compliances becoming important, or rather say, non-compliance becoming an expensive proposition, RegTech could help banks and financial services comply to the regulations without any failure.”

Mahesh Khaderbad
CEO and Co-founder, FinMomenta



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Speaking about the investment and technologies which are being adopted in the fintech space, **Rajeev Agarwal, CEO at Innoviti** said, “Basis our own recent \$18mn fund raise, I would say that investors in the Fintech space are always keenly looking for companies that have the ability to create IP and especially those who can develop unique solutions suited to the Indian payments context. Technologies which are currently at the forefront in the fintech space are typically those that are focusing on greater speed and reliability of transaction processing - factors which are key to reducing anxiety levels amongst merchants, hence encouraging faster spread of digital payment systems.”

Rajeev Agarwal
CEO, Innoviti





Shailendra Naidu Somarouthu, CEO, OBOPAY mentioned that the fintech adoption is steeper in developing countries as more and more people are warming up to using digital solutions while consuming traditional products. In addition, the government is also playing an active role in fueling digital growth by bringing out policies and regulations to ensure robust fintech ecosystem development. Furthermore, Banks, Financial institutions and Fintech organizations have now realized that it is better to collaborate than compete. Bringing the agility of a fintech and credibility & stability of traditional banking together would create far more synergies that would be great for both the entities. Together they can deliver far better consumer experiences than ever. In future, more and more traditional enterprises would look at digital solutions to innovatively solve their traditional process challenges. A lot of focus would go into improving efficiencies in supply chain, delivery etc. However, the focus will continue on consumer personal authentication and to ensure consumer data remains secure.

Shailendra Naidu Somarouthu
CEO, OBOPAY

