

# Fintech: a Founder's Perspective

Panel members provide their perspectives on what trends are driving India's fintech revolution

As part of the Directors Development Program, Rahul Rana, Egon Zehnder hosted a panel discussion on the subject “Fintech: a founder's perspective” with Dilip Asbe, Managing Director & CEO, National Payments Corporation of India (NPCI), Dheeraj Aneja, SVP and Head, Fintech and Payments Group of Flipkart and Harshvardhan Lunia, Co-Founder & CEO at Lendingkart.

India is among the fastest growing fintech markets in the world, with the highest fintech adoption rate of 87% globally, according to Business World. The three panel members from completely different backgrounds provided their perspectives on the wider implications of the Indian fintech revolution during the session.

The first perspective was provided by Dilip Asbe of NPCI, a specialized division set up by the Reserve Bank of India (RBI) to operate retail payments and settlement systems in India. At ground level, NPCI works closely with fintechs, banks, and technology service providers to create platforms and democratize payments. According to Dilip Asbe, the company's Managing Director & CEO, in terms of scale, the back-end technology infrastructure that NPCI has created—handling between half a billion and a billion transactions a day—is unparalleled. However, it still has far to go.

“We believe that more than 10-times growth is possible in the payments system in India. Obviously, what we do today may not be sufficient and we might have to scale up some aspects,” he said, adding that further innovation is also needed in order to enhance the customer experience. “We’ll have to up the game on technology if we want to be equally aggressive with the fintechs in terms of a front-end customer experience”

**“Innovation will evolve the overall ecosystem and everybody will benefit from this”**

Ultimately, it boils down to the question of why banks should partner with fintech companies. For Asbe, the partnership serves to “expand the overall pie”, create a greater degree of outreach, and a greater degree of engagement among customers. Banks can therefore create new products, open new markets, generate better customer engagement and evolve the overall ecosystem, largely to the benefit of the customer. In other words, both parties profit from the partnership.

### **Tying in with e-commerce**

Dheeraj Aneja, SVP and Head, Fintech and Payments Group of Flipkart spoke from an e-commerce perspective. As one of the largest e-commerce platforms, Flipkart has over 400 million customers. Aneja sees a fintech arm within that ecosystem as necessary. By partnering with banks, payment networks, and other fintechs it can deliver innovation both on the side of e-commerce and financial services.

A lot of products in the market tend to be fairly standardized and designed around a certain kind of a customer. However, when you’re trying to insert financial services into commerce then you have to fundamentally rethink customer goals in terms of what they’re trying to achieve, what their end goal is and whether there is something available on the market to service their needs, he discussed.

“When we provide financial products, they have to be available to everyone who is shopping on Flipkart. This means I need serviceability, I need to understand the customer better, and I need to figure out how to deliver credit at scale.” A lot of those factors influence not just the product but how you design systems, how you architect them, and how you deliver these real-time experiences.

For Flipkart, the big question right now is how to deliver financial services at scale. “Does that require us to move away from what there is in the market, do we partner where we find value in partnering, or do we just do it on our own where we think we have to?”

### **Trust behind lending**

Harshvarshan Lunia was formerly a banker before setting up a full-fledged fintech platform for SME lending in India, namely Lendingkart, which recently won the “Best Fintech Company of the Year” at the World BFSI Congress Awards. The company uses technology and analytics tools, analyzing thousands of data points from various data sources to assess the credit worthiness of small companies quickly and accurately. It aims to transform small business lending by making it convenient for SMEs to access credit easily.

**“We create personalized experiences, understanding and delivering against their (SMEs) financial needs, which in turn helps them build their businesses and their lives”**

His friends’ and family’s borrowing behaviors prompted Lunia to set up the company. “I thought maybe there are thousands of others like them in India. Maybe we could figure out ways and means of reaching them, providing them with financial literacy, guiding them about what they should borrow, how they should borrow, and service their financial needs.”

The company endeavors to try and connect consumers with banks and provide them with as much information as possible before helping banks to underwrite them and to give them a prudent loan. Interest rates start from around 12 percent to go up 24 percent. Everything is risk graded. “We have to ensure that we don’t give them too much in terms of amount or leveraging so that they can pay us back and similarly give them a personalized experience and engagement which helps them to build their business and solve their financial needs.”

Trust lies at the foundation of the business. If an individual borrowing a small amount of Rupees “comes and tells me that I don’t want to pay you, there is no way I can go and collect it, right? So, I just have to trust him that he will use my money

prudently and pay me back prudently as well”. Ultimately, Lunia is reassured by the fact that his borrowers are educated and therefore won’t borrow recklessly. “This means that if it did not suit their economics, they would not borrow from us.”

Going forward, fintech’s expansion in India is likely to transform the way banking and financial services operate in the country, with firms like the above at the forefront of this change, responding to changing customer demands and an evolving ecosystem. Board directors can profoundly benefit from these points of views - banks partner with such Fintechs in serving financial needs of segments which hitherto beyond the reach of banks are now being served using technology.

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