Byte-sized finance for all

Rise Insights report
#HomeofFinTech
Aadhaar: Aadhaar is a 12-digit random number issued by UIDAI ("Authority") to the residents of India after satisfying the verification process laid down by the Authority.

Account Aggregator Network: A financial data-sharing system that could revolutionise investing and credit, giving millions of consumers greater access and control over their financial records and expanding the potential pool of customers for lenders and fintech companies.

JAM: JAM (stands for Jan Dhan Yojana, Aadhaar and Mobile number) is a government of India initiative to link Jan Dhan Accounts, mobile numbers and Aadhaar to facilitate direct government subsidies transfers to the masses.

Sachetisation: The act of making affordable, bite-sized packets out of regular products.

UPI: Unified Payments Interface (UPI) is a system that powers multiple bank accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund routing and merchant payments in one place.
India is becoming more inclusive by banking on technology

‘Byte-sized’ in this edition’s title was chosen deliberately to convey all things financial on a smaller scale. Of course, the play on words refers to a small unit of data as well as the fact that technology is key in the byte-sized financial offerings.

The IMF expects the global economy to reach a major milestone of approximately $104 trillion in nominal value by the end of 2022. As a result of the pandemic, financial institutions were forced to reevaluate and, to some degree, reinvent their products to accelerate digital banking and personalized solutions geared toward a broad range of individuals.

Historically, Indian corporates have often adapted their offerings to suit the appetite of the masses. One of the best examples occurred in the 1970s, when high prices of shampoo bottles were a deterrent to its sales, which led to the innovation of single-use sachets that sold for just 1 rupee ($0.012). This was the inflection point that provided the masses with access to a product that was considered relatively expensive and out of reach. Today, ‘sachetisation’ has spread to all economic sectors.

Global Findex data shows that there are more than a billion unbanked adults—and sachetisation makes products and services more accessible. This allows financial institutions to leverage digital technology in order to connect financial services to those without access. When we talk about sachetisation, the lending sector can be seen as the best example of the model. In the past, large numbers of people without a proper credit history and relevant documents couldn’t access credit lines since they couldn’t comply with the norms of the conventional credit rating system. New-age lenders are filling this gap with their customised, instant small ticket loans. Solutions for pain points in savings, investments, payments and insurance are being addressed as well.

When it comes to micropayments, real-time payment systems have led to the adoption of digital payments among small merchants, microenterprises and individual businesses. Insurtech companies are offering insurance solutions tailored to the needs of ever-narrower consumer segments. For example, US-based Everyday Life Insurance has a unique Predictive Protection™ technology that performs a robust financial analysis to design coverage plans tailored to the unique needs of customers. Plans start from as low as $6.91.

However, consumer financial literacy is needed for the judicious adoption of these financial offerings. Ultimately, these solutions drive greater financial inclusion and, as such, it’s important that consumer awareness and protection are at the core of these solutions, along with robust affordability checks for lending products. It is the collective responsibility of the financial ecosystem to ensure customers are aware of the offerings available to them, the role these solutions could play in bettering their lives and the potential pitfalls and risks attached to these solutions. Regulators must also be vigilant and ensure unsuspecting customers don’t fall prey to scams. For example, the Reserve Bank of India regularly rolls out various awareness campaigns on various types of frauds and risks that exist and tips on how to avoid them.

India is a country with a relatively young population, with an average age of 28.4 years. A large segment of the youth population is familiar with technology from an early age and prefers to consume real-time digital products. Given that preference, you can understand why more and more businesses are going digital. Couple that with India’s larger goal of becoming a $5 trillion economy, and it is easy to see that more inclusive digital finance is not only needed, but here to stay.

1. Simplanations
2. SEPA Cyber
3. Everyday Life Insurance
4. Worldometer
5. Reuters
What are byte-sized financial products?

In a nutshell, technology can help package financial offerings into smaller fractions to suit the financial needs of all income classes.
Byte-sized finance 101

Financial institutions were set up with the idea of catering to the financial needs of the population – and they’ve been fairly successful in doing so.

However, a large portion of the population remains underbanked or unbanked, with the latest World Bank report stating 1.4 billion people are unbanked globally. So why don’t more people tap into these customised financial offerings? A closer examination reveals that customers:

- Aren’t fully aware of the financial offerings and how they’d suit their requirements
- Aren’t sure how to apply for them
- Feel it’s too expensive and don’t have the knowledge to accept the risk involved

In the past, large institutions grappled with how to solve this puzzle. They have found that the cost of servicing this category of customers proved unsustainable as the traditional financial offerings are unable to cater to their needs.

Customer awareness and engagement are major enablers...

Traditionally, financial products and their documentation requirements were too complex. New-age solutions circumvent these barriers with offerings that are easy to understand, access, use and pay for. In India, tailwinds provided by the India Stack initiative have made this possible. It has enabled a digital economy that:

- Provides everyone with a digital identity via the Aadhaar initiative
- Facilitates instant peer-to-peer and peer-to-merchant real-time payments via the Unified Payments Interface (UPI) over mobile apps, without having to provide bank account details
- Provides access to bank accounts to almost 80% of the population

...and fintechs have come in at the grass-root level

Fintechs are leveraging this digital infrastructure to equip the small merchants and mom-and-pop shops with digital catalogues and payment solutions that enable integration with online delivery and e-commerce platforms. These digital footprints enable merchants to generate adequate data points on monthly sales, expenditure patterns and other key indicators, which can feed into the analysis of their creditworthiness. The result for the borrower is eligibility for working capital loans and other types of lending offerings. These alternate lending mechanisms are further complemented by the Reserve Bank of India’s (RBI) Account Aggregator framework, which enables instant sharing of consent-based customer financial information among the regulated entities and service providers.

Embedded finance and API technology has helped establish an additional, seamless distribution layer for byte-sized financial offerings. Aside from banking platforms, financial offerings can now be embedded within various apps and digital platforms that customers use. For example, a BNPL solution developed in partnership with Barclays and Amazon allows customers to spread the cost of a high-value item purchased on Amazon over a pre-agreed duration, rather than pay the full price upfront.

In an attempt to improve their share of the wallet, incumbents are increasingly partnering with fintech providers and experimenting in the byte-sized financial offerings space to serve the previously underserved or unreachable customers. As a large connected market with a strong digital infrastructure, India is an excellent case study for other economies to explore how technology can enable outreach to the unbanked and underbanked with financial offerings that fit their needs.

Financial institutions were set up with the idea of catering to the financial needs of the population – and they’ve been fairly successful in doing so.

Fortunately, digitisation has made it easier

With improved computing power, access to data and emerging agile tech platforms, new-age digital banks and fintechs have managed to serve this customer segment by keeping the cost of acquisition and service low. Moving from a “feet on the ground” to a “tech-led” distribution and servicing platform model is helping make financial inclusion and last-mile connectivity a reality. Digital financial providers can more easily customise financial offerings – whether it’s for small payments, shorter-duration insurance policies, short-term cash requirements or catering to investment needs of early investors with limited savings.

Large banks are also either driving various in-house initiatives or partnering with digital companies to improve the level of customization and cater to this segment.

1. The Global Findex Database 2021, World Bank
2. strategy+business
3. Barclays

Lincy Therattil
Head of Rise India, Barclays

Lincy Therattil-9010157
Micropayments
- In-app purchases
- Installment-based payments
- Small ticket-size payments for on-demand services

Microlending
- Microloans to small to medium businesses (SMB)
- Quick loans
- Buy Now, Pay Later (BNPL)

Microsavings
- Savings account with no minimum balance
- Goal-based savings account

Microinvestment
- Systematic Investment Plans (SIP) with a minimum contribution of $1.22
- Fractional investing

Microinsurance
- Insurance cover for products like appliances and gadgets
- Pay-as-you-go car insurance

Byte-sized financial offerings
- Small ticket-sized financial products
- Low premiums and quick onboarding
- Personalised per-user needs
- Digitally accessible to the mass population
India casting a wider net to hasten financial inclusion

While critical, financial inclusion isn’t a simple proposition. Many factors must align at the same time for it to spread across India. In this regard, UPI was a major breakthrough—it fostered mass disruption in India by providing a singular, government-backed payment solution for everyone.

What other factors come into play?
Some, but not all, include:

• The low merchant discount rate (linked to debit-card related flows), which has increased merchants’ buy-in on microtransactions
• Trustworthy and affordable frameworks enabled on Aadhaar
• Relatively affordable data access rates

Then there’s shared devices, unique to India. Unlike in Western countries, people who have limited financial awareness rely on a trusted person to make transactions on their behalf. For example, a ‘Bank Mitra’ acts like an agent who facilitates banking services, especially in places where ATMs and bank branches don’t exist. Similarly, self-help groups are informal associations of people who share resources and knowledge. The benefits are that digital channels penetrate low-income markets that were otherwise nearly impossible to reach, enabling increased transaction volumes and empowering citizens. Accordingly, banks and other regulated entities now use a mix of technology and semi-automated workflows, periodic audits and related policies to support the use of shared devices in these ways.

Increasing connectivity and reducing cost

Again, it’s not so simple, but bigger markets and better technology equals less cost. For example, take the advent of 5G, which promises faster transaction times in more remote areas. But will the masses be able to afford 5G technology? With a limited rollout of 5G set for the end of 2022, rates will be about $2, compared to the global average of $25.1 So, in effect, 5G will provide a low-cost, virtual banking experience to a greater number of people.

However, we must also consider the concept of sociotechnology. Think of it as the intersection of people and technology.2 Or, to quote Bijker, “Society is not determined by technology, nor is technology determined by society. Both emerge as two sides of the sociotechnical coin.”3 In the last century, sociotechnical systems were widely studied in the context of production systems and human operators. Today, Information and Communications Technology (ICT) has blurred those boundaries simply because individual self-service (i.e. digital customers) has become part of that model. So, even if more inclusive, digital financial offerings are developed and distributed, non-native digital users (i.e. elderly, rural people) will ultimately reduce the value of the technology because they’ll be unable and unwilling to buy in.

This is where...

Government plays the role of enabler...

Back to our example of 5G being a game-changer for financial inclusion. With the sponsorship and guidance of the Department of Telecommunications (DoT), Department of Financial Services (DFS), Reserve Bank of India (RBI) and other key stakeholders from banking and financial services, IDRBT has set up the 5G Use Case Lab for Banking and Financial Services.4 Besides offering a framework for startups to showcase their solutions, the lab is also researching secure and trustworthy service delivery to lower-income populations in India.

Here is a small subset of problems we’re looking at:

• Low-cost privacy assurance at scale: We’re running experiments to check whether remote users can be protected with low cost technology against malpractice such as phishing, social engineering and malware. This is of particular importance to companies that offer microservices, but on a smaller budget than big banks.

• Democratising the usage of private networks: Presently, private networks are primarily deployed for geographically constrained locations and industries, such as manufacturing, factories, ports, mines and university campuses. The question we’re trying to answer is: what is the best, most secure way for large banks to use private networks, which are geographically dispersed across the country?

The solution to greater financial inclusion is multi-faceted and can’t be delivered overnight. Technology alone can’t solve the problem. In the end, though, it’s in our collective interest to promote greater financial inclusion through the use of technology, but with the social ramifications in mind.

Note: the views expressed in this article are personal. Some of the concepts are from lab experiments and may not be accepted by current policies and laws.

1. Inventiva
2. Quality and Innovation
3. MIT Press
4. IDRBT
Growth towards digital financial economy in India

- **40%**
  - Digital investment platform users who are women
  - Source: Statista

- **87%**
  - Fintech adoption rate (Highest in the world)

- **30 million**
  - Number of merchants accepting digital QR code payments.
  - A massive jump from 2.5 million merchants 5 years ago
  - Source: PhonePe-BCG Study

- **658 million**
  - Internet users

- **1.26 billion**
  - Digital ID's issued (Aadhaar)

- **$200 billion**
  - Value of digital lending (comparatively smaller loans) in 2021. Estimated to reach $350 billion by 2023
  - Source: Statista

- **$3 trillion**
  - Worth of transactions are digital (40% of total). This does not include payments made for financial services, corporate business payments and government payments. It's predicted to reach $10 trillion by 2026
  - Source: PhonePe-BCG Study

- **$222 billion**
  - Indian insurance market size by FY26, driven by increased digital access
  - Source: Redseer

- **$19.8 billion**
  - Total transaction value in digital investment projected for 2022
  - Source: Statista

- **1.26 billion**
  - Digital ID’s issued (Aadhaar)

- **30 million**
  - Number of merchants accepting digital QR code payments. A massive jump from 2.5 million merchants 5 years ago
  - Source: PhonePe-BCG Study

- **$2 trillion**
  - Worth of transactions are digital (40% of total). This does not include payments made for financial services, corporate business payments and government payments. It’s predicted to reach $10 trillion by 2026
  - Source: PhonePe-BCG Study

- **40%**
  - Digital investment platform users who are women
  - Source: Statista
Small businesses as well as individuals are major drivers in many economies. So it makes sense to provide a seamless payment infrastructure and lending options that aren’t one-size-fits-all.

Read how two Indian fintechs are achieving this, get an overview of small business lending in the US and see how instalment financing strengthens an economy’s bottom line.
Fintechs pushing the pace in microlending

The domestic small-to-medium-business sector (SMB) is the second-largest employer and sits at the center of India’s economic development, from an agrarian-based economy to an industrialised one. Recent industry data show that we have approximately 70 million SMBs, contributing about 30% of India’s GDP and employing over 110 million Indians.¹

SMBs need a supply of credit for day-to-day business activities, expansion and digitisation. Considering the role of SMBs in our economy, it becomes important to ensure that their credit needs are easily met. But any small business entrepreneur will tell you that timely and secure access to finance is the Achilles heel to the growth of micro and small businesses in India. Per the World Bank, the SMB credit gap in India stands at $380 billion and 95% of the addressable credit demand comes from micro and small enterprises.² More than half of the SMBs (nearly 40 million) have low or limited credit because conventional access to capital is a challenge. As a result, many SMBs borrow cash at exorbitant interest rates from informal sources, such as local money lenders, or fall prey to dubious loan schemes.

The pandemic forced a pivot toward digital lending and it has been a boon for the SMB sector in a big way. Through this digital transformation, many entrepreneurial ventures from the real Bharat (non-metro markets) have contributed to over 1,150 million accounts and $1 trillion in GDP.³ This digital adoption by businesses (80-90% of SMB owners are smartphone users) paved the way for changes in payments and the regulatory ecosystem, and allowed fintechs and new-age lenders to help bridge the credit gap for small entrepreneurs.

Big wins for the SMB community

Traditional financial institutions have been focused on urban areas and larger loan sizes. In just a few years, fintechs helped SMB companies fulfill their credit needs by quickly understanding their pain points and developing customised solutions. Here are just a few of the enhancements fintechs introduced to the SMB community:

- **Online cash disbursements**
- **Cashflow-based lending**, which allows for customised, short-term loans based on past and projected cashflows (including revenue and profit margins)
- **Speedier onboarding** – collateral-free loans bypass extraneous paperwork and use key collateral, like bank statements and digital history to determine the authenticity of the business
- **Improved credit history**, which helps facilitate larger loans from traditional channels
- **Automated credit underwriting**

What about the cutting-edge tech fintechs are often known for?

To construct a robust, digital-lending ecosystem, fintechs are also employing AI, ML and Big Data. These technologies offer quicker and improved onboarding processes, better credit underwriting, fraud detection, enhanced security and compliance, credit monitoring and much more. Lenders can tap into buried backend data on their borrowers and analyse it to track behavioral patterns, credit demands and anticipate business needs.

Case in point: Easy Pay

Easy Pay aims to offer a complete, digital banking experience adherent to the regulatory requirements to help SMBs achieve seamless verification as well as secure and quick disbursals. One data point in particular shows the help needed in this category – to date, 90% of our borrowers are new to credit.

Microlending doesn’t imply less oversight

Recognising SMBs for their overall potential and as incubators of India’s entrepreneurial talent, the Government of India also stepped in with regulatory changes and a policy framework to support the SMBs, most recently with its extension of the 5 trillion rupee ($61 Billion approximately) sovereign-guaranteed credit facility for small businesses.⁴ And the Account Aggregator framework, India’s entry into the world of Open Banking, is a further step in making lending more inclusive.

Interconnections are our strength

The growth of the Indian economy depends heavily on the SMBs and the health of SMBs depends on bridging the credit gap. Fintechs are bridging the gap, but there’s more work to be done. The government needs to continue clarifying regulatory requirements so that fintechs can keep doing what they do best – innovate.

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1. Government of India, Ministry of SMBs
2. International Finance Corporation
3. Press Information Bureau
4. Hindustan Times
5. Sahamati

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Vaibhav Joshi
Co-Founder, Easy Pay
vaibhavjoshi
Reimagining microlending with a risk-based approach

Wealth creation is dependent on supply and demand – the same as any physical product. It’s also subject to the same issues. While there may be a steady and even increasing demand from low-income customers to make money from their money, they need a strong supply of regulated bank offerings. But the problem is, they don’t have access to them.1

In India, this reality is especially painful for small and medium businesses (SMBs) – a category of businesses that have fewer than 10 employees.

Take this scenario. Manju runs a small pharmacy. During the pandemic, he found it difficult to keep up with heavy demand. Additionally, credit terms extended by wholesalers weren’t consistent and reliable. Manju tried getting a loan from a bank to fund a partnership with a new B2C pharmaceutical ecommerce company. However, complex paperwork, numerous visits to the bank, fixed loan amounts and ongoing check-ins put him off the endeavour. His and other similar businesses need assured, frequent and flexible microdoses of credit to cover high turnover of inventories that can be repaid flexibly rather than by fixed monthly instalments.

At Fundfina, we’ve identified the following requirements as essential to getting SMBs like Manju’s the financial resources they need:

Customising microcredit products

Trust, easy onboarding, low cost and customer support – all easier said than done, but those are key customer requirements of any microcredit product, as are repayments that match the cashflows of SMBs. To meet these requirements, Fundfina realised it had to design sachet-sized products that specifically align with SMB use cases and business cycles. This meant on-demand loans of any form – term, credit line, per-invoice or pay-later instalments. Customised loans like this are a win-win because they mean repeat business.

Addressing SMB risk

The real gap between microcredit and financial inclusion in India is the under-participation of regulated financial institutions, a massive three to four times that in most other countries.2 The problem is that traditional banks see SMBs as risky because it’s more difficult to ingest relevant, verifiable data in order to price the credit.

Fundfina addresses this disconnect with the SMB community with TrueScore3, a transaction-based credit-scoring system. Getting daily cash-flow data on SMBs through consensual data sharing, personalised loan acceptance and pre-approved financing incentives has helped SMBs get the funding they need in a simpler way.

We also break down SMBs into sectors in order to more accurately match potential revenue streams based on creditworthiness. This is important because each sector:

• Has typical gross margins that are hard to change due to the price sensitivity of Indian consumers in the segment we target
• Booms at distinct times in a given business cycle or has a strong seasonal effect on cashflows
• Has unique business risks that need to be identified and mitigated

Fundfina also uses a more tailored approach to modeling credit risk for SMBs. We account for SMBs with low or no credit scores and take macroeconomic events, such as the pandemic, into account.

New infrastructure and data models

This is where fintechs come in – and now, techfins, which are tech companies that offer financial services (think Amazon).

It’s largely a supply and demand issue. On the supply side, fintechs are facilitating or building new markets and partnering with traditional banks, which incorporate the new infrastructure and data streams. In terms of demand and as a result of the supply-side partnerships, a greater portion of underserved customers can access and participate in microfinance.

But again, this isn’t just cut and dried. Fintechs and techfins must determine what kind of players they are in this market – ultimately, what’s your strategy? For some, they may choose to acquire status as a regulated lender, thus indicating a more deep-rooted involvement and, with it, greater balance-sheet risk. Others may wish to minimise risk and simply participate as technology and data providers only. In terms of choosing a strategy, think of it this way – you must first build a market (Amazon the bookseller) before you expose your underlying infrastructure or scale up to other products and services (AWS).

With more fintech and techfin players building infrastructure and creating markets, more people will have access to banking on microlevels. It’s not only the right thing to do, it’s also mutually beneficial – customers of all backgrounds and small businesses can bank for a better tomorrow and the large and small companies that service them tap into new relationships and lines of revenue.

1. World Bank
2. IFC MSME Credit Gap
3. TrueScore

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Digital lending gained a solid foothold during the pandemic

Not that long ago, the only way to apply for a small business loan was to walk into a brick-and-mortar bank with an armload of paperwork and patience to spare. It took a global pandemic to change all that.

It’s no secret that the COVID-19 pandemic accelerated digital adoption. While many consumers already appreciated the benefits of digital services prior to the pandemic, many, out of necessity, utilised technology and realised the time savings of such services for the first time. From meal-delivery services to video conferencing for school, digital services met our many diverse needs while in isolation.

For small- to medium-business (SMB) owners, one of those needs was procuring access to funding to help them stay afloat while their doors were closed. When the US federal government announced the availability of government-assisted loan programs, SMBs flocked to their financial lenders. However, the influx of SMBs applying for the Paycheck Protection Program (PPP) and the COVID-19 Economic Injury Disaster Loan (EIDL) put a strain on existing systems. In response, lenders that were already on the digital transformation path took the opportunity to provide digital-based applications to support SMBs applying for these programs.

For context, the Government Accountability Office in the US reported that by May 2021, the PPP had guaranteed 11.8 million loans. A similar picture was seen in the UK with traditional and digital banks setting up lending facilities to small businesses in a matter of days, issuing 1.67 million businesses across the UK.

But now, the pandemic has eased and those programs have ended for claims. So, in a post-pandemic world, what should we expect going forward?

A brave new world

Despite the varied experiences of SMBs with digital technologies, the digitally-enabled loan applications were a success. For some SMBs, applying for the PPP or EIDL was their first time engaging with a lender in a digital manner. The pandemic gave these business owners no choice in the matter. They had to test new technologies, enabling them to realise for themselves the increased efficiency, speed and transparency of the digital experience. The fear and friction of adopting new technology was replaced with peace of mind and ease of use when they needed it most.

For other small business owners, a digitally-enabled loan process was a welcome alternative to the old way. While not digital natives, these owners evolved to be digitally enabled.

These SMBs have experience with consumer apps utilising the same technology and realised they could satisfy their financial goals more quickly without having to be present and, in many cases, not having to speak to anyone.

As business started to return to a pre-COVID state, financial lenders had a choice: stick to their digital initiatives or go back to their pen-and-paper loan processes. But it was too late – small business owners had experienced the benefits of a fully digitised lending model. Applications are easier and faster to fill out, approval times are significantly reduced, and money is delivered sooner. There is no benefit to going back. In fact, the institutions that chose to return to their legacy processes essentially took a step backwards, and customers had no reason to follow because other institutions chose to double down on their digital initiatives to meet customer demand where business owners preferred it.
This research proves that SMBs are evolving. And because they’re evolving in a digital world, digital lending that maintains pace with their needs is both important and here to stay.

Looking to the future

Going forward, we expect fintechs to continue playing a large role. According to the Federal Reserve Bank of Philadelphia, fintechs can quickly gauge a borrower’s financial profile by analysing nontraditional data: “Fintech lenders can serve borrowers who were less likely to receive credit from traditional banks [because] they employ alternative data to improve credit scoring.”

It’s not rocket science – the US SMB space has a combined revenue of $1.5 trillion⁴ and many of those businesses are converting to a digital model. Since that’s the case, a fast and easy digital loan process will soon become the bare minimum SMBs expect from their lenders. Higher approval rates, faster access to funding and more flexible terms are changing the dynamics of small business lending. SMBs are now in the driver’s seat.

Consider the results of recent Salesforce research on SMBs:

- 71% say they survived the pandemic through digitisation
- 72% have increased their online presence
- 75% say their customer base expects online transactions
- 42% have accelerated technology investments³

Andrew Paulson
CEO,
Triton Capital

1. Government Accountability Office
2. British Business Bank
3. Salesforce
4. Federal Reserve Bank, Philadelphia
5. Renolon

24 / Rise Insights
Instalment financing has the potential to make big purchases more inclusive.

Instalment financing is exploding in India, but it isn’t without challenges, including the key ecosystem and regulatory drivers. Credit-card penetration in India is less than 5% despite that instalment financing / Buy Now, Pay Later (BNPL) has been around for two decades.

It’s estimated that the BNPL Gross Merchandise Value in India will increase from $36.6 billion in 2021 to reach $93.5 billion by 2028.

That’s a big leap. So the question is, how will India make that leap?

First, you must look at historical challenges...

Indians refer to instalment purchases as Equated Monthly Instalment (EMI) and not BNPL. Traditionally, instalment options were available for large value purchases, such as buying a new home or large home appliances. Banks and large nonbank financial companies have powered the majority of instalment purchases in India, growing to become some of the largest publicly-listed companies.

But in the last few years, the proliferation of cheap mobile internet, handsets and online commerce has created opportunities for fintechs, which have launched a wide range of consumer products, as well as unleashing the democratisation of credit access.

The majority of income-earning consumers in India don’t have credit cards – just 30 million of the 900 million consumers who have debit cards. This gap is even more stark in non-metro locations, as well as with those new to the workforce and the self-employed – just a small fraction of this population makes instalment purchases. As a result, instalment purchases have been exclusive and tend to be made by more affluent borrowers on items that cost more than $200. In contrast, in the US, 55% of all consumers have made purchases in instalments at least once. In Brazil, close to 60% of purchases are in instalments.

The need to process instalment purchases at high volumes, low transaction values and with limited underwriting information has meant that Indian BNPL players have had to significantly re-engineer their models to be more inclusive.

Consumer needs and technology have created tailwinds in this space

Customers value freedom – freedom of choice and the ability to control what they want to buy, how they manage their finances and what financing options they use. What’s common is that all customers dislike paying any extra charges either at the time of purchase or hidden fees, which can compromise a trusted relationship. Customers also expect convenient onboarding and flexibility in repayments.

Recognising this, the Indian government responded.

The Reserve Bank of India (RBI) has been at the forefront of encouraging the use of technology, while also protecting consumer interests. RBI has extended KYC to many digital methods, such as a central KYC registry, video KYC and Aadhaar-led KYC. Recurring-payment infrastructure received a big boost with UPI-based Standing Instructions and Debit Card-based Standing Instructions. These factors are building strong rails for, at minimum, the adoption of instalment BNPL among the 15 million consumers who are entering the workforce every year.

But despite these successes in strengthening this market....

1. DataQuest
2. Cision PR Newswire
3. Techcrunch September 2021
4. The Ascent
5. Ebanx
6. BHIMUPI
Of course, there are new regulations

Before entering and commencing business in the instalment financing market in India, fintechs must first secure a license from the RBI. While many unlicensed players were piggybacking on licensed lenders by providing default guarantees, Snapmint believes in the coming years that the RBI is likely to restrict unlicensed entities to take such credit risks. RBI also recently announced it’ll soon allow credit cards to be linked to the UPI infrastructure. Though a start, we expect a lot more innovation to come to India, creating an open payments network for instalment payments, and not just credit cards.

Domestic household debt in India is low compared to 75% in the US and 62% in China. To encourage household spending – thus growth in the economy – instalment financing could be an option. So with an ecosystem in which government-backed solutions and fintech innovation are able to extend credit to a wider audience, Snapmint believes instalment financing in India will leapfrog credit cards as the payment of choice on large-ticket items.

Abhineet Sawa
Co-Founder, Snapmint
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Nalin Agrawal
Co-Founder, Snapmint
nalinagrawal

8. Times of India
9. EBP Macro Research
10. Trading Economics
3

Saving for a rainy day, investing for the future

Being able to pay for something in a pinch, saving for the future and everything in between is income agnostic – it’s a common goal we all share.
Designing wealth opportunities for everyone

The COVID-19 pandemic changed the way banking happened in India. Opening a bank account or investment account, or buying an insurance policy used to mean presenting documents in person and waiting four or five days. Now, as a result of the massive shift to digital, the experience is seamless and takes less than five minutes.

India has witnessed rising investment in direct equities and mutual funds over the last year. Microinvestment has also gained pace among millennials and is expected to emerge as a new sustainable product segment led by digital-first startups.

Microinvestment and ‘sachet’ products are fast emerging as digital-friendly products. In India’s financial services industry, sachets refer to smaller, bite-sized products (derived from traditional, bigger units) that can be easily offered digitally.¹

Sachet term insurance, sachet health or general insurance products are easy to compare and buy digitally and benefit from no multi-layered commission structures. Millennials are a generation who like to ‘test the waters’ first before jumping in, and digital, mobile-first platforms, with their micro offerings, offer this flexibility. At LXME, we’ve also seen that women prefer to start their investment journey with smaller amounts (as little as 100 Rupees), take time to learn and understand and then make further investment decisions.

Designing for the unbanked

It’s not just about millennials. Financial inclusion continues to improve, and the instruments of microsavings and microinvestments are proving crucial to the country’s poorer communities. India is among seven countries that are home to half the world’s 1.4 billion adults without access to formal banking.² Distance from physical banking services is also a barrier to a large majority, but mobile money has become an important solution, driving new accounts for mobile payments, saving and borrowing. While the Indian government has been fairly successful in driving financial inclusion and providing access to bank accounts for a large section of the population, much is still needed to ensure that new accounts are used and don’t lie dormant, in particular promoting regular, systematic saving habits through microsavings, microinsurance and microdeposits features.

1. Financial Times
2. World Bank
Women are still excluded

Women (48.5% of the Indian population) are more likely to be unbanked than men. Although the gender gap is falling, women are still less likely to own a bank account than men. They’re often excluded from formal banking services because they lack official identification documents, don’t own a mobile phone or other forms of technology and typically have less money than men. Yet women are important joint decision makers when purchasing products such as gold, homes, holidays, cars and electronic goods—and financial products, where women generally prefer ‘safer’ products like gold (44% of 4,000 women surveyed) and fixed bank deposits (36%).

Fintech innovation is delivering here, with new financial products designed for women such as:

- Digital savings accounts bundled with locker facilities (a safe deposit box, where you physically store items in a bank)
- Preferential interest rates for home loans and gold loans
- Free insurance cover
- Free health check-ups and consultations with gynaecologists and mental health experts
- Free family accounts
- Doorstep banking facilities

Insurance companies have also explored health insurance policies customised for women with built-in pregnancy cover, congenital disability cover, breast and ovarian cancer cover, etc. There are also special debit cards with features like roadside assistance, expense tracking and discounts on shopping, dining and travel, tailored to women’s needs.

Digital solutions are the key

In India, we’ve seen the emergence of digital-only neobanks offering a digital customer experience to underbanked and unbanked segments that have been unexplored by incumbent banks. While neobanks started in the UK and spread across Europe, US and China to millions of customers across the globe, they arose in India in 2021 – at a time when the Indian market was ready to make the great digital shift.

Digital banking accounts and digital lending will be game changers for financial inclusion and the financial industry in India. They will be critical to the success of financial inclusion initiatives and financial inclusion in the country because of scalability – they can reach hundreds of thousands of new customers.

At LXME, we’re building a completely digital neobank for women, offering curated products for them, leveraging Bankingtech, Lendingtech, Paymentstech and Wealthtech, allowing women to ask questions, take part in financial conversations with other women, and learn about savings, payments and money management from coaches. The aim is to make it easier for women to make goal-based investments for important life moments like their children’s education, retirement, emergencies or tax planning.

Jasmin B. Gupta
CEO and Co-Founder,
LXME

Jasminbgupta-digitalbank

3. World Bank
4. Banking Frontiers
5. LXME
Microinvesting is expanding on a macrolevel

Gaurav Mathur, Managing Director at SafeGold, talks about the current state of microinvesting with Ayush Singh, Fintech Platform Manager at Rise India.

Ayush Singh: What’s the biggest impact of new-age, personalised financial products like microsavings and microinvestment?

Gaurav Mathur: Microsavings and investment products allow people who normally wouldn’t be players in the market to automatically invest small amounts of money, which expands financial inclusion. As an example, take online mobile phone recharging, which implies pay-before-use of airtime, SMS and data. The fact that up to 300 million Indians are recharging their phone online demonstrates how quickly the playing field gets leveled. Traditionally, customers were reluctant to visit bank branches to better understand investment options, which were quite limited. But with the combination of digital KYC offered via digital identity Aadhaar and UPI based digital payment systems, there is now a strong foundation for growth of microsavings and investments.

AS: Now that the foundation for technology in microinvesting is being built, how do you reach the underbanked/underserved populations?

GM: There is a certain fixed cost associated with any financial transaction in terms of Customer Acquisition Cost (CAC)/marketing, KYC and payment processing. In nearly all cases, the costs are much lower serving a customer online versus in person. Going online and deducing the unit cost of reaching the mass market allows product manufacturers to reduce the unit size of savings and investment products, which in turn allows a range of products to reach a traditionally underserved segment of the population.

The maximum growth area in underserved populations is still in the 300,000-600,000 rupees ($3,664-$7,328) per annum income category, for whom outreach was via traditional banks. This group is now offered a much wider range of products over digital channels. But while lower income groups are offered a wide range of investment products, their comfort levels have not yet increased to the point of widespread adoption.

AS: What are the most critical factors to think about when ensuring customers feel assured, given the lack of awareness for such non-traditional offerings?

GM: Four factors critical to customer comfort and adoption are:

- **Brand name:** the single biggest factor. An unknown fintech startup might suffer in this regard, but it can be successful if the product is sold on the app of a state-owned bank.
- **Ticket-size:** a smaller investment requirement allows users to experiment at lower levels of risk.
- **24/7 liquidity:** the longer a product is ‘locked up,’ the less likely a mass-market user will invest, regardless of the promised returns.
- **Simplification of onboarding:** highly regulated products that require numerous steps will deter many users and have a massive impact on adoption rates.

AS: What is the key challenge while innovating/building these products?

GM: First, people in the target segment have limited spare money to save regularly, which means they require low transaction costs. In turn, low transaction costs mean banks impose lower returns on products. Second, a lot of the innovation is done by fintech startups. Since they don’t have much brand recognition, they need to partner with established brand names for distribution. The issue there is high distribution costs imposed on fintechs are essentially passed on to the customer.

AS: What are your views on current regulations, gaps in the market and forward outlook?

GM: The primary challenge is the regulatory standards that are the same whether a person invests 500,000 or 50 rupees ($610.68 or $6.11) in a product. But that issue is being addressed. For example, with mutual funds, the Securities and Exchange Board of India (SEBI) has relaxed the KYC norms for investments of 50,000 rupees ($610.68) or less. Extending that approach of tiered KYC across financial products will help drive financial inclusion on a massive scale. UPI has reduced payment processing costs to almost zero from as much as 2% of a transaction value. Building trust is a long process and best spread through word of mouth – as more users experience digital savings products and reap the benefits, they’ll encourage others to join. Today, there are approximately 100 million customers who have actively invested in digital microsavings and investment products. We expect the market to expand to 300 million customers by 2025.
Investing has always been a contentious topic in India. But generating wealth through investments is the cornerstone of financial freedom for those with access to high-quality financial advice and assets. Cube Wealth has been steadily solving this problem for the last half-decade.

The majority of working professionals in India shy away from investing. The ones that do invest have no choice but to rely on well-intentioned but poor-quality advice from friends and family, or ill-intentioned recommendations from commission-focused salespeople. Both of which lead to subpar (or worse) financial outcomes like bank fixed deposits, which promise a higher rate of return than a standard savings account.

The reason for this is that the Indian middle class has been historically underserved when trying to access the right advisors and assets. Introducing simplicity into this world of investing is complicated, but key. The average working professional has no time to scout for the right investment opportunities, let alone pore over complex charts and graphs or understand complicated jargon to make the right investments.

Akshay and the Perfect Portfolio Wizard

You can’t build a portfolio by simply winging it. Building a portfolio takes careful planning. Before becoming a Cube client, Akshay had been thinking about how he could make his investments more profitable. As with many young investors, he asked himself questions that would inform his goals—when do I want to get married? How much do I want to save before I start a family? What is my risk appetite? However, when he started investing, Akshay had only been making investment adjustments based on popular, online opinions and he wasn’t meeting his goals.

This is where Cube’s Perfect Portfolio Wizard comes in and helps users like Akshay.

By weighting an investor’s criteria, including risk appetite, the Perfect Portfolio Wizard renders near-instant investment advice. Sixty-five percent of the time, users feel comfortable with the decision and update their portfolio right then and there. Sometimes, users would like more information, in which case, Cube connects them with a suitable financial analyst in our network.

In the case of our new Cube client, Akshay, his long-term portfolio Compound Annual Growth Rate jumped from 7.41% to 29.67% due to stronger advisors recommending better funds. He also learned that his near-term needs could be met by short-term alternative assets (instead of the stock market), which could give him 12% returns, or three times more than a traditional bank fixed deposit in India.

About Cube Wealth

Cube Wealth gives regular investors access to asset classes like equities, debt, alternative assets and more. With our platform and wealth coaches, assets are personalised to individuals’ investment goals.

Cube Wealth has clients in more than 10 countries, and identifies the right funds, managers and assets with the right track records for individuals based on their life stage and risk profile.

Satyen V Kothari
Founder and CEO, Cube Wealth

SatyenVKothari
cube-consumer-services-pvt-ltd
Bankoncube.com
Digitisation connects everyone to the same investment opportunities

Historically, financial planning and investment advisory didn’t serve everyone equally. But the rapid growth of digitisation has completely shaken the world of investing. People can now invest in financial instruments seamlessly, making the whole investment experience simple and transparent.

The biggest revolution that digitisation has brought to the world of investing is making low-cost, but high-quality advice accessible to a wider group of retail investors. More and more people now have the same information that professional investors possess and can make informed investment decisions. On top of this, the advent of digitisation has enhanced liquidity, making the advisory space more competitive, which brings down the costs for investors.

While digitisation has spurred financial literacy, according to a recent study, only 24% of the adult population in India is considered financially literate.1 But if we look at this in a positive light, we see there is potential to bring more Indians under the umbrella of financial inclusion.

The push from the government and related initiatives can be witnessed in the accelerated growth of fintech in the Indian subcontinent. As of July 2022, 24 fintech unicorns have been created in the finance and banking sector alone.2 Alongside increasing consumer expectations and service requirements, another advantage in favour of the new-age financial sector is the ability of consumers to implement newer technologies and utilise them for quality advisory services. Even traditional and legacy industries have been investing heavily in new-age technologies like IoT, blockchain, biometrics and AI to make their transactions and processes agile, and offer a unique individual experience to everyone.

You can start saving with as little as 100 rupees

With the boom in the Indian fintech space, the opportunities for retail investors have grown. And this is where Tavaga comes in. We’re a fintech that’s committed to disrupting the traditional wealth-management landscape by bringing investment-advisory services to tech-savvy individuals. We promote financial inclusion among this group—primarily 18- to 30-year-olds—by disseminating financial literacy at an affordable cost.

There have been significant product innovations catering specifically to retail individuals that have paved the way for developing sound financial habits among individuals early in their life. Individuals can now kickstart their investment journey with as little as 100 rupees ($1.22 as of this writing). The simplicity of approach and personalised services have attracted a huge chunk of early investors to these platforms.

Indians are ready for the fintech revolution...

...but regulators may not be. As is the case in any country undergoing a technology revolution, the regulators in India—the Securities and Exchange Board of India, Reserve Bank of India and Association of Mutual Funds India—have been playing catchup with innovators. While the innovators promise that the best products and services are delivered to clients, regulators are taking the steps necessary to ensure that investors are protected against any potential malpractice. For example, the Reserve Bank of India recently investigated data sharing practices among fintechs in the credit space as a result of customer complaints. Accordingly, regulatory changes may be forthcoming.3

Overall, we’re moving in the right direction

While innovation ensures democracy in investment advisory, investments are a serious undertaking. Therefore, accurate risk profiling must go hand in hand with the expansion of financial inclusion to all segments of the population. With e-governance schemes and more accessibility for everyone to make financial transactions digitally, there is yet untapped potential for growth and innovation.

1 Digital India
2 The winds of change
3 Money Control
Health and wellbeing are on all of our minds – even more so after the pandemic. Which is why greater emphasis is being put on fair, customised coverage.
Breathing new life into an overlooked market

There are 747 life insurers in the US that collectively generate $1 trillion in revenue. In the decade prior to the pandemic, the industry grew meaningfully but at the same time significantly narrowed its reach:

- Number of sales agents: +34%
- Net premium received: +41%
- Penetration of <$100k income households: -25%

That last point is important. Two-thirds (85 million) of US households earn under $100,000, so it’s not surprising that analysts estimate that restoring this market to its historical penetration level could be worth $40 billion in revenue. To bridge this gap, we must first ask why it’s harder for lower-income families to buy life insurance than it was for their parents?

There are many reasons, but the result is the same – less coverage

While the pandemic prompted interest in life insurance, many factors have prevented this demographic from obtaining it, including:

- Agents exclusively servicing higher-income clients
- Agents finding more economic advantages in selling health insurance, which regulators forbid from cross-selling with life insurance
- Fewer employer-sponsored options due to a focus on health insurance and its rising costs
- New criteria are being factored into the decision-making process. Traditionally, medical exams were the key data source used by underwriters, but that information takes time to evaluate. To hasten the process, insurance companies are now increasingly running credit checks, too. This means that lower-income insurance shoppers with spottier credit histories need more help than their wealthier counterparts to find a high-value product that they can get approved at the quoted price.

Counterintuitively, even innovation is creating barriers. In order to streamline a manual underwriting process, the industry now often uses automated underwriting engines to render near-instant decisions. The catch? New criteria are being factored into the decision-making process. Traditionally, medical exams were the key data source used by underwriters, but that information takes time to evaluate. To hasten the process, insurance companies are now increasingly running credit checks, too. This means that lower-income insurance shoppers with spottier credit histories need more help than their wealthier counterparts to find a high-value product that they can get approved at the quoted price.

The solution was digital, but it’s had to evolve

We’ve seen two distinct generations of digital distributors in the US. Each in its own way was structurally incapable of seizing the opportunity.

First generation (‘aggregators’) solutions began appearing at the dawn of the internet and use websites to generate leads that are fulfilled by call center-based agents. The issues here are with impaired sales due to forcing potential clients to complete applications over the phone and the associated cost of maintaining call-centre agents.

Second generation solutions have appeared more recently and are direct-to-consumer (DTC) distributors of proprietary products. While their online applications deliver a higher application rate, they end up rejecting half or more of their applicants because they prioritise their proprietary products over other options without any upfront field underwriting to ensure the applicant is qualified for their product in the first place. Additionally, many underwriters consider it to be a red flag if an applicant has been previously declined, so the DTC provider that blindly encourages people to apply without regard for their suitability is potentially setting these people up to be effectively black-balled by the industry, at least for high-value products.

Additionally, both distribution models struggle with the high cost of advertising on digital platforms. If the advertising cost to get visitors to a distributor’s website are high, the distributor must have either a high conversion rate or a focus on selling large policies to more affluent consumers in order to be profitable. You don’t have to look far to see the association with advertising costs in this industry – insurance-related keywords are Google’s most lucrative paid search category and it’s no surprise, given the number of well-funded players of all types competing for them.

So the problem persists – rejection rates remain high because carriers maintain individual risk appetites and selection criteria that excludes much of the population. But we thought up a solution, because we believe inclusive life insurance should be part of everyone’s everyday life.

1. American Council of Life Insurers
2. LIMRA 2020 Life Insurance Barometer report
3. United States Census Bureau
4. Wordstream
Tailor-made coverage

Everyday Life Insurance was founded with the mission to provide life insurance to everyone who needs it, regardless of their wealth or background. How we make it work may be the most important consideration, which is why we developed a proprietary calculator – Predictive Protection™ – that matches a plan with a customer’s unique needs. And that’s win-win for everyone – it saves customers and Everyday Life time and money by being able to quickly zero in on the type and amount of coverage needed. And it’s all online – no phones, no paperwork.

Our platform employs the best aspects of the aggregation and DTC distribution models. We combine the needs assessment and product matching of the aggregator model with the modern convenience and low operating cost of the digital DTC brands. There is no ‘phone friction’ in call centres; our operating costs are kept low by using ML algorithms in place of human agents.

Of course, we need a solid distribution strategy because of those quickly escalating advertising costs. We keep our acquisition costs low with a two-pronged approach: partnering with trusted personal finance brands, including mission-aligned insurers, banks and fintechs, to reach high-intent shoppers, while at the same time building our organic audiences on TikTok, Instagram and Google to further subsidise paid acquisition.

Inclusion in the US life insurance market can be achieved with a combination of the right technology, a committed strategy and, perhaps, most importantly, the mission to level the playing field.

Jake Tamarkin
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Growing a culture of inclusive insurance in LAC

In recent years, providing insurance to the vulnerable in Latin America and the Caribbean (LAC) has become increasingly important. Only an estimated 4-12% are covered by an inclusive insurance product, leaving room for further market development, especially in the context of the pandemic.

Currently, inclusive insurance products in the region are still largely developed along traditional lines of business, with life (14 million policyholders), personal accident (8 million) and non-agricultural property (1 million) representing the biggest uptake and the three products that dominate the market. But innovation in product design is starting to take off. Some insurers have started offering index-based coverage, such as protection for rural populations against weather risks. Coverage for specific diseases, modular products and targeted insurance for migrants, the transgender population and public transport is also becoming available. Insurtechs are providing innovative solutions, optimising processes and educating these segments.

Data analytics, IoT and drone-leveraged solutions for damage valuation are being used to optimise underwriting, claims, product development and marketing. Biometric solutions, AI and blockchain, although less developed, are also emerging as technologies that boost and innovate the industry's offerings. The foundations to all of this – internet coverage and penetration – are improving, too.

There are challenges on the demand side...

The pandemic has left people with less purchasing power, meaning insurance is far from front of mind for many, unless it meets their needs. Some companies have responded with digital solutions that reduce costs for both the company and the insured, but there is often a lack of digital skills and trust in technology. Three things become important in this scenario, and will give customers peace of mind:

- Transparency in technology
- Hybrid models that involve the human touch
- Simplified products and policies

Insurance-education programmes have been instrumental in driving demand. When developed by industry associations and when linked to topics, such as gender (i.e. Edufina, the gamified app in Bolivia) or financial education (i.e. training programmes developed in Mexico and Colombia), they have had a big impact.

...as well as the supply side

The importance of data to facilitate decision-making by insurance companies on inclusive insurance can easily be overlooked. The Microinsurance Landscape Study offers a starting point for many countries in the region, with some such as Peru, Colombia and Mexico having developed their own programmes too. The data and analysis should be accompanied by case studies and success stories where deployed products have reached scale.

Brokers, financial institutions and agents are the most important channels in LAC. Expanding beyond this and making use of innovative, alternate channels are challenging but has been taking place in the region. Agricultural, savings and credit cooperatives, producer federations, unions and even companies from outside of the insurance sector are getting involved. The success of these partnerships lies in their vision of insurance as a gamechanger that protects and provides welfare for their employees, partners and/or community members.

1. Ecosistema de los Seguros Inclusivos en Latinoamérica y el Caribe
2. Fundación PROFIN. EDUFINA
3. AMIS CONDUSEF. Proyecto MINERVA
4. FASECOLDÁ. Viva Seguro
5. Microinsurance Network Landscape Study 2021
Inclusion requires a team effort

Scaling digital microinsurance offerings through B2C models can be a challenge, especially where markets are still building an insurance culture and digital skills for lower-income populations currently lacking access. Exploring partnerships and new business models with fintechs and insurtechs can help.

More active involvement by regulators is required. According to a FIDES survey, out of the 16 affiliated countries, only eight have a formal definition of microinsurance or inclusive insurance and only six have specific regulation to support its development and the ability to bring products to market. The lack of further regulation continues to be a barrier, limiting the uptake of these products and especially their marketing through digital means. Where regulation has been established, the benefits have been clear, including:

- The establishment of simplified registration processes and minimum requirements for client identification
- Anti Money Laundering (AML) and Countering of Financing of Terrorism (CFT) requirements
- The enabling of non-traditional operations and distribution channels, such as digital agents, retail shops, supermarkets and utility companies

Collaboration between all stakeholders is the best way of ensuring quality customer service and confidence. In countries such as Colombia and Brazil, private and public partnerships and other developments are effecting change, with roundtable discussions, the implementation of programmes to boost the market and regulatory sandboxes to spur innovation in the insurance sector.

Nicolas Morales
MIN’s Regional Manager for LAC

Sara Orozco
MIN’s Regional Coordinator for LAC

Claudette Martinez
Head of Growth in Mexico and Central America. MICRO

6. Federación Interamericana de Empresas de Seguros
7. Banca de las Oportunidades
8. SUSEP. SandBox Regulatório
One of the big highlights from this summer was Money 20/20! One of the key topics was Buy Now, Pay Later (BNPL) and if it’s a healthy form of credit. There are concerns around the volume of missed payments with BNPL customers. To overcome these challenges, key solutions discussed included: greater availability of information that allows customers to make more informed decisions regarding credit and its affordability as well as comprehensive reporting on these transactions to support stronger underwriting mechanisms.

Another topic – digital identity – also received a lot of attention. Think about it in these terms:

1. You put a secure chip into an object, such as a digital ring, therefore the object now has an identity
2. Once the object has an identity, it can be linked to a range of services on your behalf
3. Because the ring is always in your possession and you can control when you use it, you control the identity and the privacy that comes with it

But what about other identification methods, such as biometrics? Having things like facial recognition installed in shops inherently takes control away from the user.

Speaking of digital identity, right now it’s no more important than in Ukraine. Since the start of the war, Ukraine has leveraged Diia to digitise documentation for many citizens in order to facilitate safe relocations.

Money 20/20’s top billing? Digital Sterling

One of the most exciting announcements was the introduction of Project New Era, the UK’s first Digital Sterling pilot. Taking the stage, Lord St John of Bletso pointed out that digital currencies can reshape how we transact and he believes that innovation and technology can be a force for social good. Here at Rise, we’re excited about central bank digital currencies (CBDCs) – our very own Dr Lee Braine is a member of the Bank of England’s CBDC Technology Forum. We were also thrilled to host the Barclays CBDC Hackathon during September.

London Fintech Week packed a punch

Recently, our resident company London Fintech Week Power 50 and Fintech Times hosted Fintech Week London! The conference focused on wider trends – such as embedded finance, security and attracting talent – as well as all things crypto and Web3. At the conclusion of the event, the new list of the top 50 fintech companies to watch was announced.

Bringing it home

In Rise London, we’re delighted to see continued achievements from our members. For example, iWarranty is our first Female Innovator Lab investment in the UK. Another Rise member, F4ID (Fintech for International Development), recently piloted an L20 programme in Kenya and Afghanistan, and have already helped 640 households so far.

Our team continues to explore ways we can expand our offering, such as through the launch of our new Crypto Series and Rise Growth Academy. This autumn, we’re excited to expand our support for women in fintech and tap into our other strategic innovation hubs and partnerships across the UK.
Rise India

With the JAM (Jan Dhan-Aadhaar-Mobile) initiative, the Indian government has linked bank accounts, Aadhaar numbers (unique digital identities) and mobile phone numbers for a large section of the population.

This has enabled quicker verifications and onboarding for banking, which is an important step to alleviating bottlenecks when accessing financial offerings. Traditionally, microlending runs through the veins of the country. But with the benefits that JAM offers, other digital offerings are possible as well. Combined with API connectors and data sharing initiatives such as India Stack and Account Aggregator, India is able to offer a variety of sachet-sized digital offerings, such as micropayments, microinsurance, microinvestments. India Stack is a set of APIs that allows governments, businesses, startups and developers to utilise a unique digital infrastructure to solve India’s traditional finance infrastructure problems, moving towards a digital (paperless and cashless) service delivery.1 Additionally, Account Aggregator allows data sharing among financial institutions that are part of the network.

Driving on this digital wave, tech-led platforms are helping with deeper penetration of financial solutions across metros, cities and rural regions. For example, take micropayments. More than 54 million vehicles have been fitted with FASTag, which is an RFID (radio frequency identification) passive tag used to make hassle-free toll payments directly from a prepaid or savings/current account while the vehicle is in motion.2 Furthermore, feature phone users (not just smartphone users) can now use UPI123PAY for small ticket-size payments like gas cylinder payments and mobile top-ups. There are around 400 million feature phone users in the country and UPI123Pay allows such users to make digital payments without any need of internet connectivity.3 This landmark initiative aims to expand the digital payments landscape and accessibility to a majority of people.

Here at Rise India, alumni fintechs continue to leave their mark in these varied fields: SafeGold (a digital platform that allows customers to buy, sell and receive vaulted gold at low ticket-sizes) was named in the Financial Times’ list of the fastest growing Asian companies.4 Winvesta (a cross-border banking and wealth management solution platform) was awarded the most innovative Fintech Product of the year award by Businessworld.5

We caught on this trend early. Having seen these initial signs of sachet-sized financial offerings beginning to proliferate, Rise India held a thought-leadership event on this topic in early 2021 to deliberate on the opportunities that this trend presents to fintechs in the investment, insurance, lending and payment spaces.

Clearly, financial inclusion has expanded with these initiatives. It’s exciting to know that the average customer is now exposed to a wider pool of financial services. From just a standard loan, checking account or deposits, consumers are now also experimenting with insurance and investment products, greatly improving the financial providers’ share of the wallet and customers’ lifetime value.

Rise New York

It was a hot summer across North America. We hit record high temps week over week, saw droughts as far north as Canada and wildfires migrating from the California coast to the natural parks in the middle of the U.S. Adverse weather is driving a more unified concern for the future of our planet and bringing the climate fintech solutions Rise and Barclays have long been passionate about to the forefront of this important global conversation.

Like climate fintech, the innovations in bite-sized financial products have broad definitions and even broader reach. According to the Center for Global Development, the provision of financial services in small amounts to people with limited means or credit access now covers payments, investments, savings, insurance and lending services.

Still, lending is a relationship business

According to Sonal Bagga, Founder of Namma and member of the Rise Start-Up Academy, “most times, reaching out to family and friends for help is the only option available to the underserved when they need access to capital. This is more common in today’s economic climate than ever before. We created Namma as a platform to enable and facilitate transactions and provide the borrowers with credit building capabilities to empower them for their financial future.”

For investors, brands offering an introduction to customers that might have later synergy with their portfolio companies are ripe for expanding credit access and equity.6 As the creditworthiness of a borrower can be defined more and more acutely, the usefulness of smaller loans and other financial instruments as a track record for larger future borrowing becomes clear. “We’re seeing an increase in interest in impact investing, specifically as it pertains to financial inclusion,” says Adam Rein, Co-Founder, President and CIO of CapShift, which provides impact investment solutions, such as for social and environmental considerations, to financial advisors. “Yet, finding high-quality, cost-effective and scalable ways to provide impact investments to clients with smaller account sizes can be a challenge for financial advisors and donor-advise fund providers. Thematic impact funds and targeted ESG vehicles— all supported by a robust technology platform — are crucial in expanding the adoption of impact investing more broadly.”

When the offer of bite-sized financial products today improves the accessibility of life-changing products like homeownership, education or today improves the accessibility of life-changing products like homeownership, education or life insurance, the benefits are increasingly marketed to the underserved. The challenges of the future in terms of climate, population pressures and economic stability are amplified for those who don’t have easy access to financial services. These innovations could lift all ships in our global economy.

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Rise global network

This infographic shows companies resident at our Rise locations. The information is accurate at the time of publication.
Join Rise Connect Today

Global Network
Rise Connect is a global virtual network of FinTech leaders shaping the future of financial services with support from the Barclays network & key partners.

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Find out more at Rise.Barclays
About Rise, created by Barclays

Rise, created by Barclays, is a global community of the world’s top innovators and entrepreneurs working together to create the future of financial services. By connecting technology, talent and trends, the mission of Rise is to accelerate innovation and growth in the financial services industry.

To join our community, or keep in touch with the latest from Rise, visit or follow us on:

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