

# 14ECONOMY

OVER 330 DIGITAL LENDING STARTUPS LOOKING FOR ONLINE BORROWERS

## Fintech companies target MSMEs amid push for paperless transactions

GEORGE MATHEW  
MUMBAI, MARCH 24

THE DIGITAL lending space in the country is abuzz with a bevy of financial technology (or fintech) companies — or peer-to-peer (P2P) lenders, as categorised by the Reserve Bank of India — entering the segment targeting the unmet demand from Indian micro, small and medium enterprises (MSMEs), as well as consumers, for credit.

From a small segment a few years ago, India has now about 338 lending startups, according to the India Fintech Report 2019 by global fintech insights platform Medici and Zone Startups.

The traditional ways of banking approve only 25–40 per cent of the loan applications. However, with access to more data for credit scoring such as transaction behaviour, app-based data, location information, social data and others, these new lending models are aiming to increase this threshold by additional 10–15 per cent which is a huge market opportunity, the study said.

Manav Jeet, founder of online lending firm Rubique, said, “Few years ago, the concept of ‘online loan’ in India was confined to information search only. In the scenarios has changed now and

### EXPLAINEDPotential \$1 trillion market in next 5 yrs for online loan biz

THE CONCEPT of “online loan” in India was confined to information search till five years ago. However, the scenario has now changed and people are moving for complete digital and paperless journey available in this space.

India’s digital lending market represents a \$1 trillion opportunity in the next five years.

people are moving towards transaction with complete digital and paperless journey available in this space.”

There are multiple players and models in this business. “Aggregators with lead selling model, marketplaces offering end-to-end fulfillment, platforms working with banks and NBFCs in co-lending arrangements and new age lenders which are NBFC themselves and P2P lenders,” Jeet said.

The Boston Consulting Group has estimated that India’s digital lending market represents a \$1 trillion opportunity in the next five years. “As per this report, digital lending currently contributes to 23 per cent of overall lending market in India which will grow to 48 per cent

by 2023,” Jeet said.

Piyush Khaitan, founder and MD, NeoGrowth Credit Pvt. Ltd, said, “The MSME lending landscape is evolving and is set to be disrupted by digital lenders, backed by continuous thrust by Government of India towards digitisation through demonetisation, Unified Payments Interface launch, India Stack and the introduction of GST.”

There is a shift from predominantly “feet on street” agent-based business model to a more digital approach, he said.

The RBI has brought such companies in its “Peer to Peer Lending Platform” as intermediaries who provide the services of loan facilitation via online medium or otherwise to the participants. The central bank has

said NBFC-P2P firms should have a net owned fund of not less than Rs 2 crore or such higher amount as the bank may specify.

As per the recent Omidyar-BCG report, it is estimated that by 2023, MSME digital lending has the potential to increase between 10 and 15 fold to reach Rs 6–7 lakh crore (\$80–100 billion) in annual disbursements, creating immense opportunity for both traditional lenders and digital start-ups, Khaitan said.

How do they function? “We look at the performance of the business rather than only the credit score of the individual. With tech-enabled underwriting, we are able to provide tailor-made loans to various merchants as per their industry segments ranging from food and beverage, apparel, salon, petrol pumps, automobile dealers etc. with quick turnaround times to meet their urgent funding needs,” Khaitan said.

According to Jeet, as personal loan is non-collateralised loan and approval is completely online, the interest rate is 4–10 per cent more than the interest rates offered by traditional lenders. This means if banks are charging 13 per cent on a personal loan, online lenders charge around 17–23 per cent interest rate.

“The interest rate varies between the financial institutions.

But we have witnessed the interest rates offered by new age digital lenders are quite high compared to traditional lenders. Most of the new age lenders are offering online loan in personal loan category,” Jeet said.

While digital lenders do not have specific data on non-performing assets (NPAs) in the segment, industry players say that digital lenders disbursing small ticket size loans have started experiencing high percentage of NPAs. The reason is that there is no connect with customer as the application is processed through a complete online journey.

“NeoGrowth operates in a tech and touch business model and the gross NPA levels are around 4 per cent,” said Khaitan.

According to India Fintech Report 2019, in consumer credit, the urban population is likely to leverage fintech lending services to avoid heavy documentation, and the rural population (which is new to credit) can benefit from alternative credit scoring mechanisms to stay away from loan sharks. “This would provide access to a market with over 300 million unbanked households. Hence, identity authentication, credit score, job eligibility and social data to generate ratings for various use cases is likely to draw more attention in the near-term,” the report stated.

#### ‘FY20 LOOKING AS DIFFICULT AS FY19 FOR HFCs’

**13-15%:** HFCs are likely to report a 13-15% credit growth in FY19, which will inch up to 14-16% next fiscal

**1.3%:** Gross non-performing assets (NPAs) of the home loan segment will rise to up to 1.3% in the medium term from the present 1% levels, Icrs said

**1.8%:** After including project loans, overall NPAs will shoot up to 1.8% in the medium term from the present 1.4%, it said

**~14%:** Ongoing troubles will lead to narrowing of margins and accordingly, a moderation of profit levels to around 14% in FY19 from 18 per cent in the year-ago period; Icrs added it expects bottomline to be at the same levels in FY20 as well

The liquidity crisis has crimped credit growth for housing finance companies (HFCs) and is unlikely to improve much in FY20, even as the weak external environment will put a pressure on asset quality, warns a report by ratings agency Icrs



**13%:** Housing loans portfolio for HFCs and other shadow banking lenders fell to 13% from 18% in the year-ago period

**16%:** Overall housing credit outstanding growth narrowed down to 16% from 18% in the corresponding period last year

**MORTGAGING SAFEST OPTION:** The mortgage finance sector is considered one of the safest bets for financiers in the last few years, as the segment has been largely resilient

**LIMITING DISBURSEMENTS:** HFCs are resorting to curbing their disbursements and also portfolio sell-downs to meet their funding requirements, following the liquidity crisis triggered by the bankruptcy of IL&FS in August last year

**SOME POSITIVES:** The proposed National Housing Bank amendments in capital adequacy, deposit mobilisation and leverage norms are positives for HFCs, the agency stated in its weekend report

## Karnataka govt revokes suspension of Ola Cabs licence

PRESS TRUST OF INDIA  
BENGALURU, MARCH 24

THE KARNATAKA government on Sunday revoked the suspension on mobile application-based taxi aggregator Ola Cabs after it agreed to pay a fine for the operation of bike taxis ‘illegally’.

The cabs would resume service from Monday. The state government had on March 22 suspended the licence of Ola Cabs for the next six months with immediate effect saying it was running bike taxis without permission.

The suspension was lifted after the executives of Ola Cabs had a detailed discussion with state Chief Secretary TM Vijay Bhaskar and other senior officials.

Speaking to PTI, Karnataka Minister for Social Welfare Priyank Kharge said, Ola Cabs of-

ficials met the officials of state transport department, including the chief secretary, and “the issue was sorted out.”

To a question when the services would resume, the minister said the suspension has been revoked and the cab operator can resume service from March 25.

Asked why action was not taken against the other bike taxi services, which are similar to Ola Bike, Kharge said, “Probably nobody had brought it to the notice of the government.”

Earlier, Kharge had tweeted, “Ola Cabs will run their business as usual from tomorrow. However there is an urgent need for policies to catch up with new technologies and also industries too should work closer with the government to help evolve policies for innovations.” Ola Cabs refused to comment on the matter.

## Bayer CEO says his team ‘retains backing of supervisory board’

REUTERS  
FRANKFURT, MARCH 24

BAYER’S MANAGEMENT retains the backing of its supervisory board, its CEO said, after pressure on the company increased when a second jury in the US ruled its glyphosate-based Roundup weed killer caused cancer.

Bayer — which denies allegations that glyphosate or Roundup cause cancer — acquired Monsanto, the maker of Roundup, for \$63 billion last year.

Its shares have fallen a third over the last 12 months burdened by thousands of lawsuits over a suspected cancer link to Roundup.

“The share price is significantly impacted by the legal cases related to glyphosate in America, the discounts are greatly exaggerated,” chief executive Werner

Baumann told *Frankfurter Allgemeine Sonntagszeitung* (FAS).

“The management board enjoys the full backing of the supervisory board,” added Baumann, who has been Bayer CEO for all-most three years.

A US jury last week found that Roundup caused cancer, a blow to the company eight months after another jury issued a \$289 million verdict over similar claims in a different case. That award was later reduced to \$78 million and is on appeal.

Baumann defended Bayer’s move to acquire Monsanto, saying it “was and is a good idea”, according to the FAS interview.

Asked about a potential breakup of Bayer, Baumann said the group had a clear strategy based on three divisions — pharmaceuticals, crop science and consumer health.

protection for its companies as part of the ongoing negotiations to end the protracted bilateral trade war with China.

China has taken several steps in recent months that it says will improve the business environment for foreign firms and investors operating in the world’s second-largest economy, including reducing foreign ownership limits in the financial sector. It has pledged to do more.

Its Parliament this month

#### GOLD WATCH

### GOLD IMPORTS DIP 5.5% IN APR-FEB

*New Delhi:* India’s gold imports dipped about 5.5% in value terms to \$29.5 billion during April-February 2018-19. Total imports of the precious metal in the corresponding period of 2017-18 stood at \$31.2 billion, according to Commerce Ministry data. **PTI**

INTERVIEW: RAJAT GUPTA, FORMER MD, MCKINSEY & COMPANY

## ‘I would say that I did not get a fair trial ... but now the legal course is done’



was about Goldman firing 10 per cent of its staff. Also, the thing about Goldman losing two dollars in the quarter is not even correct and the chairman Blankfein testified that you may round it to 2 dollars. The fact is that in the financial year ending they count pennies and not round it like that. It’s like they didn’t have any real evidence, they tried to create a believable story but not a true story.

**With regard to AIG, did you give Raj any confirmation?**

Not quite. That discussion was because Goldman president Gary Cohn was coming to Raj’s office to reassure that Goldman was fine etc. as he was a big client. Raj called me to prepare for that meeting. Raj was thinking of taking his accounts to Europe. In the board meeting, there was general discussion exploring options such as should we buy or partner with an insurance company, or a regional bank. As Raj was preparing for his meeting with Gary, he asked me that he heard Goldman is having discussions with AIG. Since this was in all the papers by then, it was not even confidential information. But there was one mistake I did and I said, “There was a board discussion”. While I shouldn’t have said that, it was inconsequential and nothing specific.

**Given the coincidences of your calls to Rajaratnam with regard to Goldman Sachs, Berkshire Hathaway and P&G, can you really blame the prosecution?**

In the P&G case there was no coincidence. I was in Davos, there was this audit committee meeting, I did not call him. Few hours later there was a call from Raj, saying please give me a call back. Several hours later I called him and he updated me that the bank negotiations were not going very well. That was it. But yes, I spoke to him the same day.

**You say you did not make money, but you faced insider trading charge?**

It is not insider trading. I didn’t make any money. They kept telling lies that I own 15 per cent of Galleon International ... they kept telling the jury all the time, which was not true. While they had to prove I owned 15 per cent, they could never prove.

**Then how did the charge stick?**

That’s the point. It’s about the jury, they get confused. The president of Galleon came and testified that “he (Gupta) doesn’t own the stake” but then they started saying that benefit can be anything, it can even be friendship. Every other person who was convicted in Raj’s case had a quid pro quo and an arrangement that the government could document. How is it that I am the only source who has no arrangement? There is no money transfer, no arrangement.

**There is this charge that you were supplying information to get your \$10 million back?**

It is the most bizarre logic. They were throwing anything, so whatever could stick to the wall. They would confuse the jury that comprised of beauticians, baby sitters, teachers and there was one person who had no clue about busi-

ness. The judge said that the circumstantial evidence is just as good as direct evidence, it is so biased. I would say that I did not get a fair trial. But now the legal course is done.

**What about the Goldman employee who was passing information to Raj?**

It’s absolutely bizarre. There is this guy David Loeb, who was the Goldman account manager for Rajaratnam. On the tape is this guy passing information to Rajaratnam and he clearly benefits because it’s his largest account and he will get more business. So it meets all the criteria of insider trading and yet he was never prosecuted. It’s completely wrong that they did not go after Loeb. Maybe Goldman convinced them, since it was an employee, it would have been another big scandal.

**Do you think many around you, including Goldman and McKinsey, betrayed you?**

It’s all about self interest. Goldman were buying favours with the US Justice Department, so they went out of their way to not only collaborate but also to twist their testimony. Blankfein wanted to give an impression that the financial results were discussed in the board meeting, which were not. McKinsey got afraid. I was associated with McKinsey for 37 years. I was its leader for nine years. In fact, I called the MD before I was tried and said that I am resigning from the consulting relation. He said “no, don’t worry, take a leave of absence and come back.” But within a few days they got afraid. They didn’t think I stood up to their values. Instead, they kicked me in the face when I was down. I was very hurt by McKinsey. With Goldman, I did not expect anything else, that’s how they are.

**Would you say you were at times a bad judge of individuals and situations?**

Yes, the judgement failed, no question about it. I think I trust people till they completely disappoint me. There were mistakes in judgement on how things should have been approached.

**Was Rajaratnam taking you for granted while you were chasing him for your money?**

My only option was to sue him.

**But you never did?**

I talked to my lawyers. For a long time I couldn’t believe that he could do this. I could not believe that this guy, worth billions, would kind of steal my \$10 million. By the time I was ready to sue him, the money was already gone. Also, while he had power to withdraw his equity, he had to inform me also. But he never told me.

**What did \$10 million mean to you then?**

I would say, I could afford to lose it.

**Did you have a conversation with him after all this?**

We met in the prison. He is an enigma. At the same time, he was offered five years off out of the 11 years for testifying against me. But he said no, and that he had nothing bad to say about me and he doesn’t want to testify against me. I respect him for that.

**Since you have written this book now, how would you want to be judged?**

It doesn’t matter. In the end, the only person that you have to live with is you yourself, and I am at peace with myself. I don’t have any issues, whatever people think. It was a cathartic experience for me to write it. The other reason I wrote this book is because it thought it would be a very interesting story.

### China to ‘import more from US’

*Beijing:* Ahead of the crucial talks next month to finalise the texts of trade deal with the US to end the trade war, a top Chinese official said on Sunday that China will import more goods from the US to balance bilateral trade, a key demand of US President Donald Trump.

On Sunday, Vice-Premier and Politburo Standing Committee member Han Zheng told the China Development Forum in Beijing on Sunday that China will work to “boost imports and achieve a more even balance of trade” with the United States. **PTI**

## Will step up oversight of systemically important financial firms: China central bank chief

REUTERS  
BEIJING, MARCH 24

CHINA WILL increase oversight of systemically important financial institutions and holding companies as the country opens up its financial sector, Central Bank Governor Yi Gang said on Sunday.

“The financial sector opening itself is not the root cause of financial risks,” Yi said at the China

Development Forum.

“But the process of financial opening could increase the complexity of risk prevention, and therefore we should improve risk prevention systems.”

China has repeatedly vowed to improve market access for foreign investors and companies amid criticism from major trading partners, including the United States.

The United States is demanding improved transparency and



China's Central Bank Governor Yi Gang speaks at the China Development Forum in Beijing on Sunday. Reuters

