



FinTalk

The Weekly Newsletter
By Bank of Baroda



In This Issue

- 1 Our Home grown StartUp Stories: Fuselage Innovations, Kochi
- 2 Fintech firm Rupeek offers instant credit via gold-powered card
- 3 How Fractal's entry to unicorn club impacts the AI landscape in India?
- 4 BNPL grew 637% in 2021, recurring payments by 225%, says survey
- 5 NGO turned startup Three Wheels United uses AI to put electric 3-wheelers on Indian roads

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Buy Now, Pay Later - The New Finance Buzzword

"Buy Now, Pay Later" (BNPL) is a type of short-term financing that lets you pay in instalments by the end of the specified time period. There are quite a few online merchants and fintech companies in India offering BNPL as a convenient payment option and an excellent alternative to credit cards which includes ZestMoney, LazyPay, Simpl, Amazon Pay Later, Ola Money Postpaid, Paytm Postpaid, Flexmoney, EPayLater, Capital Float, etc. By offering no-cost EMIs and being accessible, and transparent, BNPL is all set to revolutionize the lending landscape, especially for young adults.

A new report released by financial technology company FIS says BNPL is India's fastest-growing online payment method. By 2025, BNPL is expected to contribute 8.6% of e-commerce market value, up from just 3% in 2021. BNPL loans may be dispensed on pre-paid instruments, wallets or bank accounts, powering commerce across a large number of merchants who would have been acquired

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and enabled by banks and networks. The cost of actual delivery of credit cards into rural towns will be around Rs. 250-300, and also credit activation rate is 20% now, but in the case of BNPL, the cost is negligible.

Taking BNPL beyond the online channel could play an important role in its growth trajectory and opportunities for credit access which are particularly low for young people and new-to-credit customers, who struggle due to a lack of credit histories and track records for lenders to assess and manage risk. The physical card form factor allows customers to use the digital credit line across touch points.

Regulation is also driving collaborations between fintechs, traditional banks and NBFCs. The report of the RBI working group on digital lending, released in November

2021, recommended that BNPL financing should be treated as balance sheet lending. “Since these products do not meet the requirements of traditional credit facilities, a suitable notification may be issued by the Government of India in this regard,” the report said. As a result, new-age lenders are choosing to work with their tightly-regulated counterparts to grow the market.

Banks, NBFCs and card networks play a vital role in enabling fintechs to deliver BNPL solutions. A large number of fintechs have the ability to underwrite credit using AI/ML (artificial intelligence/machine learning) models. However, these loans may be based on capital from NBFC, banks or their own capital in some cases. With UPI credit, Buy Now Pay Later (BNPL), and branchless banking, the roadmap towards inclusion will be significantly accelerated.

Our Home grown StartUp Stories: Fuselage Innovations, Kochi



Fuselage Innovations, an agritech startup based at Maker Village, Kochi implements precision farming solution at its tea estates. The drone revolution is here to stay and is making a foray into every sector. Drones have found application in the agriculture sector and now in the plantation sector as well. A company who was looking for solutions to overcome labour shortage in their tea estate to carry out nutrient application has partnered with Fuselage Innovations to implement the precision farming solution at its tea estates.

The drones will scan the plants and identify nutrient deficiencies before applying the compound to boost growth. Initially, the startup carried out research on five hectares of the tea estate and was found to be viable and the estate also saw an increase of over 23 per cent in yield.

We are delighted to share that Bank of Baroda was conferred with two awards at the 26th Edition of the Business Today-KPMG Best Banks Survey 2020-21

“Best in Innovation” and “Best In Fintech Initiative”

ON THE DIGITAL BAND-WAGON

Bank of Baroda has set big targets for mobile banking by the end of FY23

BY ANAND ADHIKARI

BANK OF BARODA'S new mobile app allows customers to get the best deal from dozens of e-commerce sites including Amazon and Flipkart. In addition, the customer also gets attractive rewards and cashbacks. If you are a new bank customer, the app provides you with an instant digital account

opening via remote video KYC. “We are making every transaction rewarding for customers,” says Akhil Handa, Chief Digital Officer, Bank of Baroda (BoB). The digital transformation has led the jury of the BT-KPMG Best Banks Survey 2020-21 to confer on it the two most coveted awards—Best in Innovation and Best in Fintech Initiative.

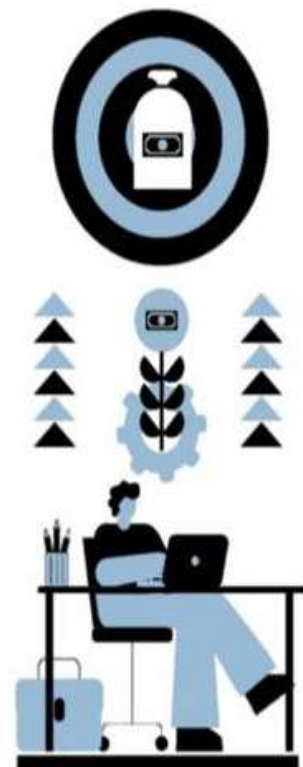
Its mobile banking application named ‘BoB World’ offers 227-plus retail banking services, from shopping to loans to investments, and has attracted 33.6 million-plus registrations since its launch in September 2021. The app has a daily transaction volume of 6 million, with an average transaction value of ₹1.5 lakh crore. The bank has set big targets by the end of FY23—from having 25 per cent new retail customers for mobile

banking to a ₹5,000-crore increase in savings account balances. It also expects a ₹10,000-crore increase in loan balances and a 25 per cent increase in retail deposit bookings through mobile banking.

BoB has tied up with nearly two dozen fintech players with 100-plus integrations for developing credit models based on sales and revenues, cash flow and alternate market data as compared to the earlier practice of only balance sheet-based lending. “We are onboarding even more partners in areas like data and analytics and underwriting,” reveals Handa. It has sanctioned loans worth ₹8,000 crore through its digital lending platform during the first half of the current financial year. **BT**

@anandadhikari

Best Bank-Innovation and Fintech Initiative
Winner: Bank of Baroda



65

Fintech firm Rupeek offers instant credit via gold-powered card

Rupeek, an asset-backed digital lending platform, has launched India's first-ever gold-powered card to allow millions of consumers to get highly-recurring credit requirements using their idle gold. This ‘card for everyone’ gives a quick and economical option for people seeking direct credit, according to the company.



The card form factor enables gold monetisation with use-cases otherwise unheard from a gold-powered credit product. This product from Rupeek’s bouquet of offerings is set to revolutionise customer experience and destigmatize availing gold-backed credit in India.

Source – [Livemint.com](https://www.livemint.com)



How Fractal's entry to unicorn club impacts the AI landscape in India?

Fractal is perhaps the only pure-play analytics and artificial intelligence startup to have attained unicorn status recently, amid a slew of tech-focused unicorns. The company offers artificial intelligence and analytics services to several Fortune 100 firms, including Google, Microsoft, Qualcomm and Twitter, among others.

It is said to be spending the capital on research and development, particularly in the areas of quantum computing, computational neuroscience and development of AI products.

Last week, Fractal acquired a cloud and data engineering company Neal Analytics for an undisclosed amount. With its latest acquisition, Fractal looks to enable clients to enhance its AI engineering capabilities and cloud-first offerings on Microsoft multi-cloud ecosystem. Also, it looks to expand its presence in the Pacific Northwest, Canada, and India.

[Source – analyticsindiamag.com](https://www.analyticsindiamag.com)

BNPL grew 637% in 2021, recurring payments by 225%, says survey



Short-term financing segment, buy now pay later (BNPL), has grown to become among the favourite payment methods, having surged a massive 637.27% in 2021 compared with 569% growth observed in 2020, according to Razorpay's ERF Report.

Further, the subscription economy is booming with recurring payments seeing a significant growth of 225.31% in 2021. Other payment methods also contributed significantly to total transactions in 2021, such as UPI (63.02%) and card (25.92%). Interestingly, bank transfers took a whopping hit, with transaction volumes declining 51.77%. Digital transactions are becoming a popular choice in everyday households, as transactions related to telecom and electricity bills saw a growth of 3,640% and 2,353% respectively, from 2020 to 2021.

[Source – LiveMint.com](https://www.live-mint.com)



NGO turned startup Three Wheels United uses AI to put electric 3-wheelers on Indian roads

The startup is helping drivers switch from conventional engines to EV three-wheelers to positively impact the environment as over 6 million auto-rickshaws operate in India, emitting 21 million tons of CO2 per year (as of 2020). Having identified a lack of adequate financing as one of the main challenges in the market, TWU began to act as a service company for banks to help drivers receive a loan.

TWU built a platform 'Prayana' in partnership with Microsoft Research. The foundational principle behind the platform is to leverage data to support decision-making for all stakeholders by providing relevant contextual information as opposed to automating it.

[Source – indiaai.gov.in](https://indiaai.gov.in)

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