

NEWS HIGHLIGHTS

Retail banking may lose 55% of business to fintech: report

This e-auction portal gets farmers better prices

With 500M trips, Uber posts double-digit growth in India

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Make Mumbai the financial hub of the country

Today's View

Credit Decisioning, AI Style

RBI's Financial Stability Report June 2017 states banking system's Gross Non-Performing Assets ballooned to a 9.6% of total assets as of March 2017 and can worsen further to about 10.2% by March 2018 – in extreme scenarios, of course. The health of India's banking system has slowly deteriorated to this low, thanks to rising bad loans, resultantly eroding profitability.

Back in the day, a major factor resulting in bad loans used to be the lack of data sharing amongst different lenders. To tackle this challenge, the credit bureau was instituted in 2008 to help expand the scope of data available on potential borrowers. Since then the regulation around credit bureau reporting has been expanded to multiple customer segments as well as the focus now is on customer education in the retail segment.

However despite this, the situation seems to have deteriorated. So what is still going wrong? We believe the traditional underwriting techniques which simply meant accessing the credit history of potential borrowers via the credit bureau should also be relooked.

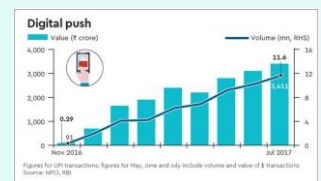
Back then there was no way to capture and leverage the rich structured and unstructured data generated by the new-age digital platforms – from online purchases and social connections to travel patterns. Continuously generated and captured data, almost in the form of a customer's digital trail or blueprint has the potential to impact deep learning about the customer's characteristics and preferences. Even credit scores rarely capture complex patterns while determining loan features.

Many Fintech startups are today attempting to innovate the credit decisioning process for the banking and financial services ecosystem. Artificial Intelligence (AI) technology is very effectively resolving these challenges and learning complex patterns in consumer data, with an aim to aid banking structures improve their credit health. Intertwined with AI, Machine learning (ML) – the art of data training a machine – is

OTHER INTERESTING NEWS

11 million UPI, USDD transactions worth Rs 3411 crore recorded in July: NPCI

The Unified Payments Interface (UPI), together with the USDD channel, clocked 11.63 million transactions worth Rs 3,411.35 crore in July, the National Payments Corporation of India (NPCI) said in a statement.



The UPI was launched in August 2016 with 21 banks, and is currently being offered by 52 banks. Of the total UPI transaction volume, more than 22% are merchant-based, the NPCI said.

Source- Financial Express

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Date- 04th August 17

widely employed in domains ranging from bioinformatics, natural language processing to speech recognition. AI exploits its ability to process large amounts of all kinds of data that human underwriters would probably not be able to make sense of, while ML seeks to data train machines to perpetually predict and throw up outcomes without being explicitly programmed.

Avant, a Fintech, offers direct unsecured personal loans, leveraging its ML platform, claiming to process 10,000 variables to predict default rates. The ability to promptly predict default rates allows the company to price loans appropriately. Another startup, **Zest Finance**, exploits the mix of big data and machine learning to support lenders in making better underwriting decisions. Similarly, China-based **Wecash** leverages machine-learning algorithms to determine or assess credit scores in less than 15 minutes. Silicon Valley based Fintech startup, **Upstart**, leverages this credit assessment and decision making process to provide peer-to-peer lending.

Fintech solutions in India are in a race to foray into the AI space as well. AI-based Fintech startup **CreditVidya**, is an intuitive damage control or profiling algorithm that seeks to verify applicants' details using behavioural and transactional data. In an attempt to leverage the power of AI-empowered decision making, **Bank of Baroda** has collaborated with **CreditMantri** - an algorithmic credit decision making tool for the verification of online merchants.

Another startup, **Redcarpet**, assists banks in disbursing education loans through assessment of multiple variables - college, course, educational background, social circle, etc. Similarly, **Anytime Loans**, an AI powered P2P lender, reads facial features to determine the borrower's propensity to default. While various banks now allow customers to open accounts digitally through selfies, **FRS Labs** goes one step too far, delivering an AI engine that detects customer's picture, reads facial features, checks for liveliness of the applicant and matches it with other databases to detect fraudulent applicants.

Fintech startups are driving the wave of tech innovation in banking - from mere service providers in a limited domain, they have come a full circle and are approaching the epi-centre of the financial system.

Today's News

Retail banking may lose 55% of business to fintech: report

The retail banking sector could lose up to 55% of its business to fintech firms if it does not up the ante in terms of investment in digital transformation, according to a new study titled 'Enterprise Digital Transformation: Evaluating Indian Enterprises', brought out jointly by research firm Frost & Sullivan and software lobby body, Nasscom.

The report, released this month, has compared Indian companies across sectors with their global peers in terms of digital maturity, noting that much more needs to be done and challenges such as non-uniform connectivity and scarcity of skilled personnel need to be tackled.

Source- Mint

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This News Letter has been prepared with the assistance of Pankaj Tadas

With 500M trips, Uber posts double-digit growth in India

Ride-sharing app Uber has completed 500 million trips in its four-year journey in India, the company said on Thursday, adding that it posted double digit growth in the country with almost 2.5 times Year-on-Year (YoY) growth as of June.

Through its 'UberSHAAN' initiative, the company aims to create one million livelihood opportunities as micro-entrepreneurs in India by 2018.

Source- Yourstory

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Struggling to raise money? AI-powered bank loans from Loan Frame can help

SME-focused online lending platform Loan Frame offers an entire portfolio of products, including secured and unsecured loans ranging from as low as Rs 1 lakh to as high as Rs 50 crore.

"Traditionally, SMEs have limited options on loan products, but we provide as many as 50 distinct products to suit their various requirements," says CFO and co-founder of Loan Frame, Rishi Arya. "We also cater to a wide variety of sectors including retail, manufacturing, healthcare, IT services as well as FMCG," he adds.

Source- The Economic Times

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Invisible Man Malware Targets Banking Services On Android Devices

Fresh Android malware targeting mobile banking customers has been discovered by cyber security firm Sophos Labs. The malware dubbed Invisible Man is a keylogger that lurks in the Google Play Store as a bogus update for Adobe's Flash Player.

Once downloaded, Invisible Man exploits permissions to accessibility settings whereby it then gains control over functions such as creating invisible overlays on banking apps and setting itself up as the default messaging app.

Source- News Republic

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This e-auction portal gets farmers better prices, and even helps cart their produce!

Distinctly different from other digital initiatives, the new e-auction portal, e-RaKAM, launched jointly by the Kolkata-based MSTC Ltd and Central Railside Warehousing Company (CRWC) Ltd, in New Delhi, will not only help farmers get reasonable price for their produce, but also save them the effort of carting the produce to the mandi.

CRWC, a subsidiary of the Central Warehousing Corporation Ltd, will provide logistics support for sellers and buyers in case they need it. The initiative builds on MSTC's earlier experience in providing support to farmers in the North-Eastern States to sell their produce in other parts of the country.

Source- Business Line

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IBM opens first 'Machine Learning Hub' in Bengaluru

Software major IBM on Thursday opened its first "Machine Learning (ML) Hub" in Bengaluru which would provide a physical space to organisations for hands-on training on machine learning.

Through the 'ML Hubs', data professionals, business analysts and engineers could work with IBM's data science experts to understand and learn the technology to visualise, analyse and interpret data.

Source- The Economic Times

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Make Mumbai the financial hub of the country

In the last few years, Mumbai, led by proactive measures by the Maharashtra government, has consolidated its position as India's financial capital, and emerged as the economic capital region (ECR) of the country.

There has been a significant surge in industry academia partnerships and increased private sector participation in creating innovation hubs such as the Lower Parel Innovation District (LPID). These inherent advantages, combined with enabling regulations from RBI, Sebi and the Indian Renewable Energy Development Agency make Mumbai the epicentre of India's fintech revolution.

Source- The Economic Times

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Lendingkart Finance raises \$10 m in debt

Lendingkart Finance Ltd said on Thursday it has raised \$10 million (Rs. 67 crore) in debt from Kotak Mahindra Bank, Aditya Birla Financial Services and other financial institutions.

A wholly-owned subsidiary of Lendingkart Group, Lendingkart Finance is a non-deposit taking NBFC offering small business loans to SMEs. As the company expands its reach to over 700 cities nationwide, these funds will come in handy to re-stock the loan book.

Source- Business Line

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After Bajaj Fin buys 11% stake for \$33 mn, MobiKwik aims to raise \$120 mn

After raising over \$33 million from Bajaj Finance Limited, mobile wallet firm MobiKwik is planning to bring in \$120 million more, co-founder Upasana Taku said.

In the next few weeks, MobiKwik would launch a debit and credit wallet. According to MobiKwik, association with Bajaj Finance would help it add a host of financial services, as the firm would extend credit facilities through MobiKwik's mobile app.

Source- Business Standard

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