

Challenges ahead for fintech sector as initial excitement wanes

Panellists at the Mint Fintech Summit in Mumbai discuss challenges fintech firms will face as the industry matures



(From left) Probir Roy, co-founder and promoter-director, PayMate; Satyam Mehra, partner, Bain and Co.; Chavi Jafa, head, commercial cards and B2B payments (India and South Asia), Visa; Rajnish Khare, head, digital transformation, social business and new media and mobility banking, HDFC Bank; Ravi Krishnan, chief of Mumbai bureau, Mint; Deepak M. Sharma, chief digital officer, Kotak Mahindra Bank Ltd; **Kartik Maheshwari, leader, Nishith Desai Associates**; and Piush Kothari, head, digital and customer analytics, Aditya Birla Idea Payments Bank, during a panel discussion at Mint Fintech Summit 2017 in Mumbai on 23 June.

Mumbai: Consumers from unbanked markets have mostly benefitted from the advent of fintech companies, according to panellists at the Mint Fintech Summit held in Mumbai on 23 June. Participants in a discussion on “How fintech is disrupting the financial sector”, talked about the challenges that fintech firms will now face as the industry matures and the initial excitement over the disruption wanes.

The panellists were Rajnish Khare, head, digital transformation, social business and new media and mobility banking, HDFC Bank; Deepak M. Sharma, chief digital officer, Kotak Mahindra Bank Ltd; Chavi Jafa, head, commercial cards and B2B (business-to-business) payments (India and South Asia), Visa; Piush Kothari, head, digital and customer analytics, Aditya Birla Idea Payments Bank; Probir Roy, co-founder and promoter-director, PayMate; Kartik Maheshwari, leader, Nishith Desai Associates; and Satyam Mehra, partner, Bain and Co. The session was moderated by Ravi Krishnan, chief of bureau (Mumbai), *Mint*. Edited excerpts:

Jafa: We need a revaluation of business models and stronger collaboration between banks and fintech companies. We (the financial services industry) need to take a better look at the business models because a lot of the traditional ones are not viable in the fintech space—be it lending or payments. While the margins are narrow, customer experience is central to any business model, so we should try to find additional revenue sources. This may well happen with closer integration of the banks and fintech companies.

Khare: Fintech companies are not disruptors but value creators with whom we can only benefit. The companies that really need to be feared are the ones with a large and loyal customer base—such as Google, Samsung, Apple and Facebook. Some of them are trying to become financial aggregators or marketplaces. If that happens, banks need to be wary.

Kothari: I see a large opportunity for fintech. First, the Unified Payments Interface (UPI) has made payments easier. Second, digital lending is growing because there is substantial profit to be made. And third, low-cost distribution through digital means is now possible.

Maheshwari: In all our interactions with the Reserve Bank of India, the paramount concern has been the protection of small consumers.

In the last six-eight months, we have seen a concerted effort by everybody to move towards a system that works even though some deadlines (including the NITI Aayog’s guidelines on digital payments) to comply with digital norms have been missed.

Mehra: Regardless of the disruption and the evolution, the consumer is king and there is potential for an inflection point. It may or may not be a surprise but a majority of fintech start-ups are unlikely to thrive and survive going forward. I think that consolidation and scaling up operations for faster customer adoption is the only way forward for getting to the inflection point. That should be the focus for the next two to three years.

Roy: As we go forward, we need to think about when the inflection point will come for fintech. The inflection point for data consumption in India was in 2016, when a hockey stick-like growth curve—implying exponential growth—was observed. Similarly, Google overtook newspaper ads in 2010; that was a hockey stick year. As we speak today, Facebook is overtaking news print ads. Such an inflection is yet to be seen in fintech, given all the investment and innovation that has gone in. Demonetization, UPI and PPI (payment protection insurance) have happened but we still haven't seen the hockey-stick trend in fintech. So the question is when?

Sharma: The sector should temper expectations on digital payments and recognize the challenges therein. The payments space is overrated; the low-hanging fruit is always easier to pick. There are larger problems in B2B, SMEs (small and medium enterprises), advisory, risk and customer experience, among other things. We should look at solving those. I see very little coming out of fintech companies in the payments space.

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