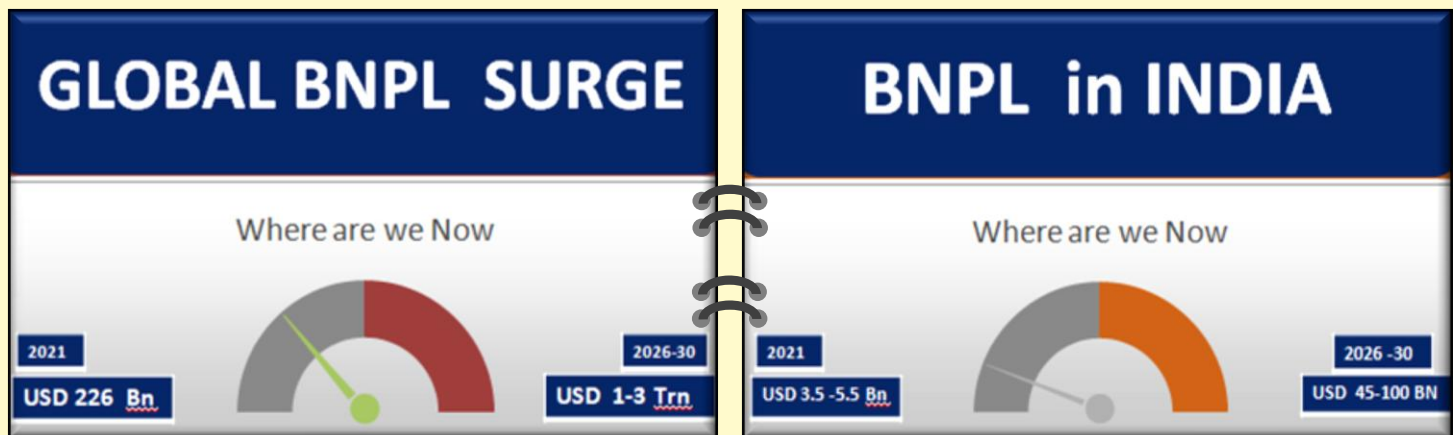


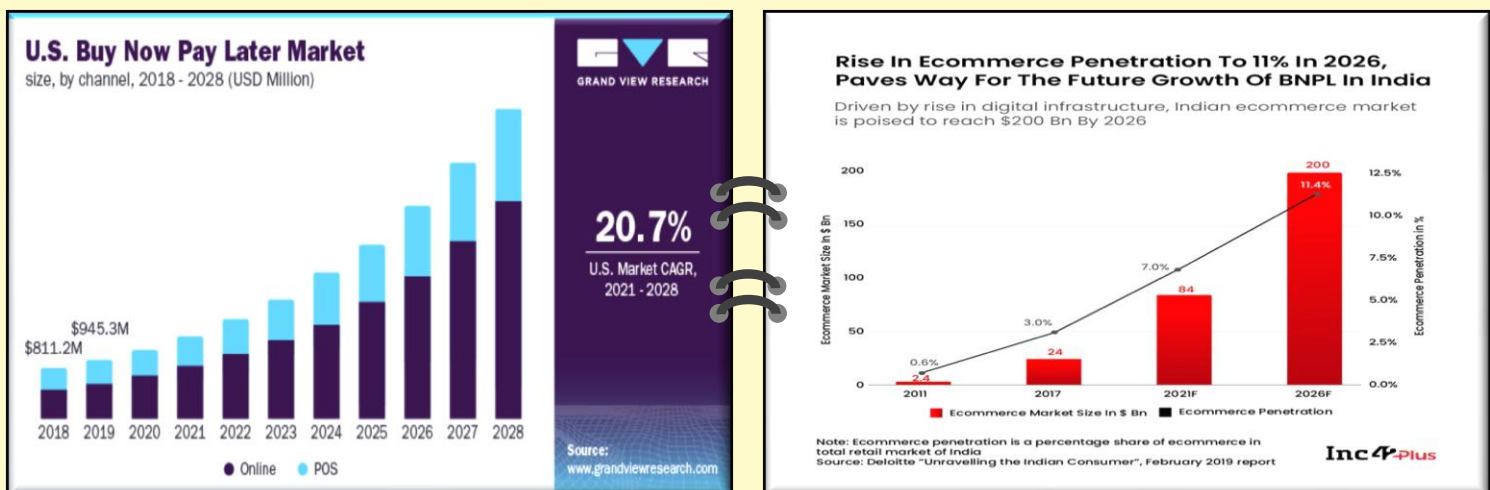
BNPL – Buy Now Pay Later has emerged as one of the most disruptive phenomena of the decade since 2020. BNPL's impact is already visible widely and is likely to intensify in the coming years, with top line revenue (GMV) to notch up to USD 3 trillion from a current estimated base of USD 226 billion in year 2021.

*In our “Approach Note” as a precursor to the deep-dive, we have tried to capture the meteoric rise and spread of BNPL across continents. It has essence of a short and swift rise of BNPL, ushering in a change on the value chain as had happened in the 1950-60 with the advent of credit cards in US.*

*We begin with a comparable construct and understand the basic differences of the developed economies vis a vis Indian context. So, let us start with the acknowledged facts and see where India is poised at the beginning of 2022.*



## Typical market evolution of BNPL



## The growth trajectory of some key players

**Zilch** raised USD 80M series B tranche in April 2021, offering a virtual card that allows users to pay in four installments over six weeks at on line retail stores and rewards users when they shop responsibly.

\* Bain - UK BNPL

**Klarna** out of Sweden leads the total disclosed funding in the global BNPL space, having raised nearly USD 3.5bn since founded in 2005. It has 250K merchants and 90M active customers

\* Bain - UK BNPL

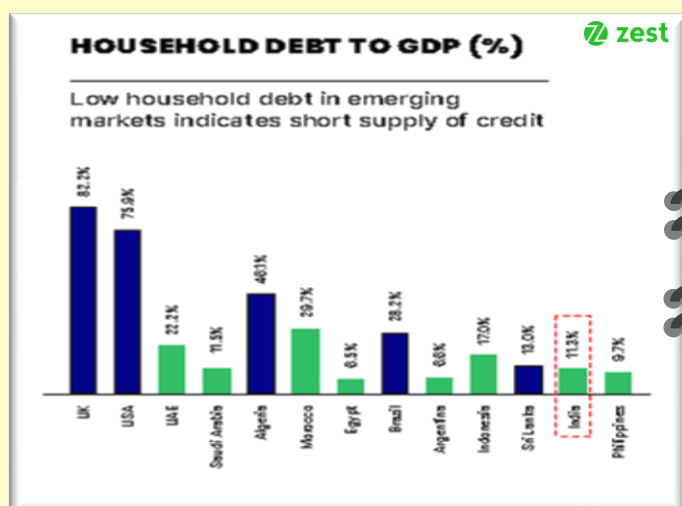
**Zest Money** raised nearly USD 50 Million in Series C round from ZIP the Australian & UK Giant making Zest Money one of the top BNPL providers in India\*

\* Wire News



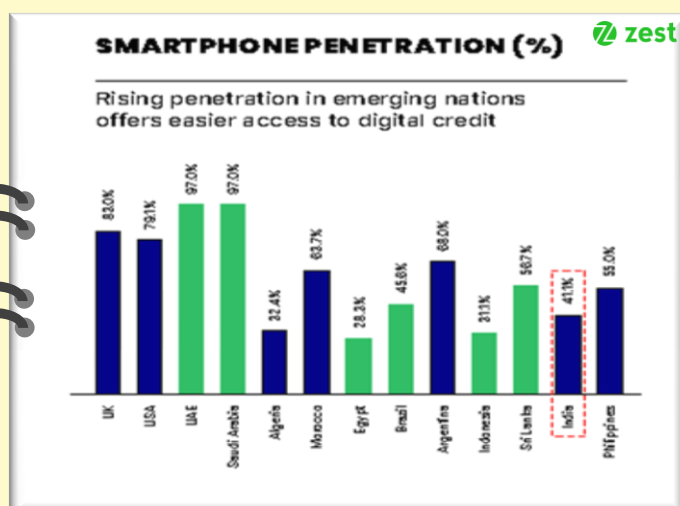
## Key differentiation

### Developed Economies



Sources: IMF, World Bank, Newzoo, Deloitte, Govt. Rebases, & GSMA intelligence

### Indian Market Outlook



Source: The India BNPL Report 2021 | ZestMoney



## India's potential to emerge as the key BNPL market

	US	AUSTRALIA	INDIA	UK	GERMANY
No. of internet users (% of population)	290 Mn (78%)	22 Mn (88%)	550 Mn (40%)	55 Mn (80%)	71 Mn (88%)
No. of online shoppers	200 Mn	12 Mn	100 Mn	40 Mn	47 Mn
Total retail	\$3.6 Tn	\$250 Bn	\$820 Bn	\$500 Bn	\$550 Bn
Online retail (% of total retail)	\$450 Bn (13%)	\$20 Bn (8%)	\$30 Bn (4%)	\$90 Bn (18%)	\$80 Bn (15%)
Debt to GDP	80%	120%	16%	94%	53%
Credit Card penetration	75%	75%	3%	55%	35%

Valuation \$37 Bn  
 Valuation \$20 Bn  
 Valuation \$3 Bn  
 Valuation \$400\*

Source: Street Research Note: (1) Private data per latest valuation round, Market data as of October 11, 2021

The India BNPL report 2021 | ZestMoney



## Expansion opportunities for Indian FinTechs to move from tier 1 fringes to tier 2-3 cities and beyond

### India No.1: Will 2022 be the year of BNPL in India?

#### BNPL in Developed Economies

- Early start, gathering traction gradually
- Disruptive uptake as merchants readily agree even at higher fees
- Low density of key players
- Consolidation happening within market
- Active Regulators & Consumer Groups as Credit Bureau crammer grows
- Rising inflation & Banks entering the market making it difficult to sustain the overdrive

#### BNPL in India

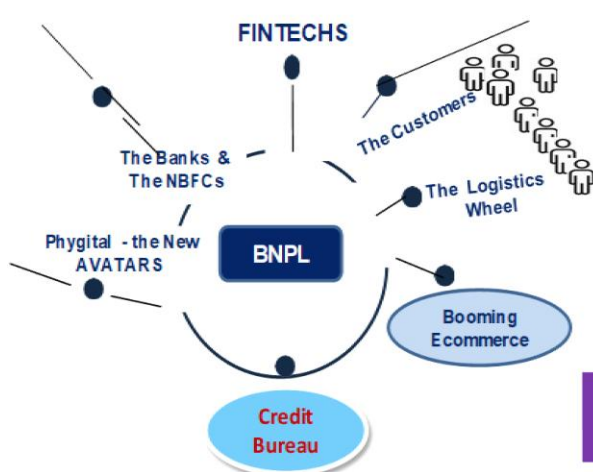
- Slow to react, but growing steadily
- Unlike major economies, many players are in the fray with a few top brands
- Room to grow is enormous as credit appetite vis a vis offer is hugely insatiable
- Factors of high mobile smart phone penetration, rising internet usage and low household debt is a perfect ground for fast growth
- Online - offline will work in tandem & players are positioning Phyigital marketing plans

## How the challenges stack up to the promises?

- Early trends in India suggest that the leading players like the Zest, Slice, Uni, Lazypay while adopting different models have been mostly targeting the Prime and Near Prime customers.
- It is actually not known how many sub-prime or NTC — New To Credit customers have been on-boarded by these players although all of them vouch for these segments. Rightfully, all of them need to balance their portfolio.
- There is no real-time data for the number of users on-boarded, quantum of loan given, the default extent, delay or recovery mitigation efforts etc. However, there is already a buzz that the defaulters have been treated harshly.
- In developed economies, the defaults have been on the rise causing alarm in UK and Australia. In USA, lengthy congressional hearing queries have been made to the top 5 leading BNPL providers during late last year.
- In India, RBI has rolled-out a consultative paper and clarifications on – Who all can lend using the Digital platform? However, there are no guidelines for BNPL loans to be reported to a credit bureau, unless, there is a default and recovery action has not yielded mitigation.
- In India, couple of factors weigh heavily on how BNPL along with embedded finance can make a difference in the coming future. Indian economy is highly dependent on consumption by its citizens. Even Government tax revenue hinges on GST revenue spurt, as hardly 15 million Indians actually pay taxes. So, by a conservative estimate 100 \$ million recharge of mobile broadband combo nets about 18\$ million revenue to the government/s.
- In 2021, BNPL consumption has seen the usual trend of fashion, lifestyle and electronics as seen in the developed economies. Also, there is a huge competition brewing in this segment as they are easy targets. However, going forward, slowly but surely, BNPL shall travel beyond Tier 1 & Tier 2 fringes.
- Urban trends also show broadening of the market segment as fashion, electronics, grocery, food delivery, travel, medicine etc., are all coming up in a big way.
- So, will it turn out to be another credit card saga and become akin to fish in the market with tweaked offerings?

## Cracking the layers is the key to Sustainable Long Term Drive

### The Partnership Eco System - Collaboration amid Growing Fierce Competition



Diwali sale & aftermath 2021 crosses 2 lakh crore - TOI



THE Combination of Fintech, BANKS & Fis with Credit Scoring Companies playing a big role in pivoting BNPL, these partnership will rest on Logistics in a big way as Quick Commerce or Q-Comm is seeing exponential growth. SO REAL TIME DELIVERY & REMOTE SERVICING is all becoming a part of the journey.



## BNPL – Way Forward in Indian Context



• These Early LURE is a sure way to initial success, but will die out soon as unsustainable like CASH BACK Offers, unless there is a definite strategy to go to the vast outliers

• But the question remains in India unlike in the developed countries the Merchants bearing 5-6% compared to India @ 2-3% except for niche products like Iphone or Smart TV is unsustainable.

So a number of exciting scenarios crop up, which have the drivers to accelerate access to credit in a sustainable way. It's again about partnership & Collaboration. A few likely cases emerging.

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Middle Lower  
Ranging from a  
Household Income  
25-35K pm

Empower &  
Provide Easy  
Credit to SMBs

USE Product  
& Services mix  
well

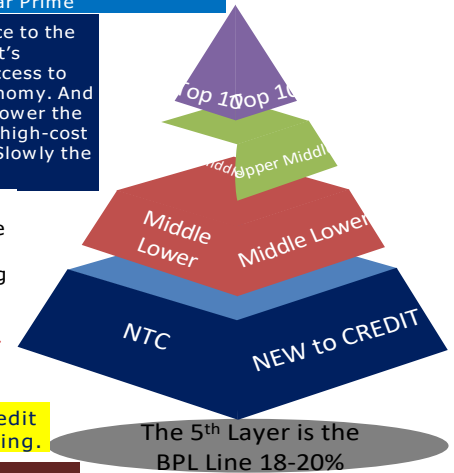
USE Clusters & Cross link  
to Online Players for a  
seamless Value Chain

But this is attractive at faster on-boarding of the NTCs & Near prime ones for attaining the critical mass as the players prepare for the ways to de-risk expansion plans with recovery plans. Faster positioning will leverage with the banks quietly looking to enter, piggy-backing to the last mile.

Another Innovative way is the use of product variation as Slice, Uni, LazyPay, Postpe all positioning with a virtual Physical card Combo as the circulation of CC is very limited. It is claimed to be having very positive success with the NTCs & Near Prime

But ultimately the dual challenge and balancing to go the distance to the last mile & cracking layers will be the key to long term success. It's possible as the JAM trinity is there to be exploited to create the Access to Credit as retail is growing despite sluggishness in the general economy. And the best way to create that eco-system is to use the route to empower the Rurban merchants, break their age old dependence to exorbitant high-cost credit & through them get the people below into a credit system. Slowly the credit culture would flourish.

And everywhere, in the developed as also here in India the consumption behaviour is changing. As more & more people, even prime customers opting for BNPL & the early trends from fashion, electronics is rapidly changing to Grocery, household goods & Medicine & healthcare segments. Soon It will be almost everywhere as studies reveal that working women of about 43% are opting for BNPL. Similarly Surat, Coimbatore, Vizag are in competition with Mumbai, Bengaluru.



## The journey ahead...

We see from various estimates, reports and projections that BNPL in India is set to grow 10x-15x in the next few years. Zest Money'21, RazorPay 20-21 & many other reports as well reflect this rising trend. FFIFS see the scope for even better growth of BNPL in India. Therefore, we aim to look much deeper and broader to help make it a win- for all the stake holders and empowered customer – which would lead to the creation of a whole new eco-system. Even though there is *perceived* dip in fortune for the BNPL sector in the developed economies, we have to understand that that two turfs are different and actors need to set the course differently.

## Market outlook for BNPL in India

- **RedSeer** a consulting firm projected vide their report in November'21 that India's BNPL market is poised to grow up to \$ 50bn by the year 2026.in But other report suggests that it is likely to be \$6.3 bn this year ad will continue to zoom at a high rate for the next 4-5 years .
- This is most likely to happen looking the Ecomm GMV & output metrics that by the end of 2021 and through to the Financial Year end as Omicron plays truant with a renewed contact less home delivery is set accelerate online sales. One look at the Grocery Sales offer Competition by the two rival Ecomm giants Amazon & Flipkart confirms the same with BigBasket, now a Tata Enterprise, Blinkit (formerly Grofers) are all engaged in Discounted Sales Binge.

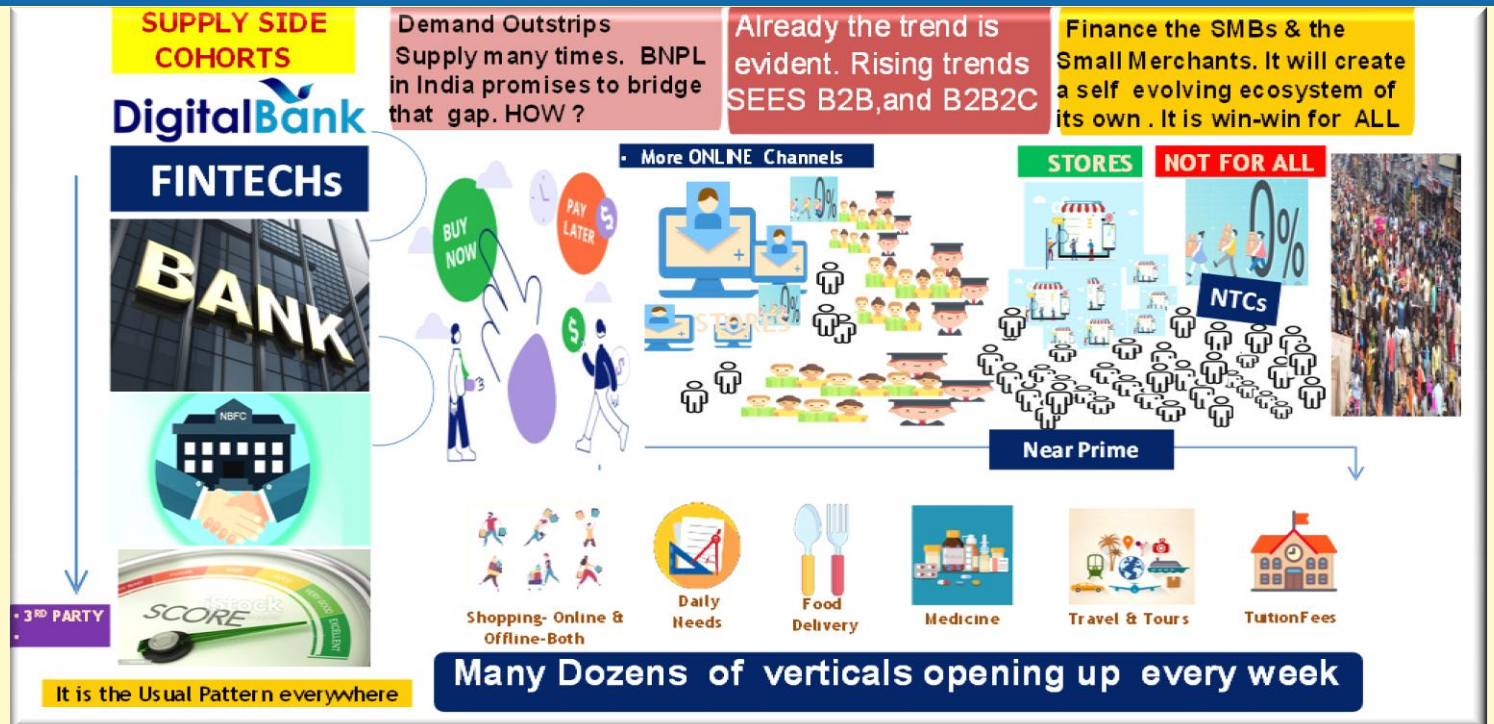
Retail Ecommerce Sales in India, 2019-2025  
billions, % change, and % of total retail sales



Note: includes products or services ordered using the internet, regardless of the method of payment or fulfillment; excludes travel and event tickets, payments such as bill pay, taxes, or money transfers, food services and drinking place sales, gambling, and other vice goods sales  
Source: eMarketer, May 2021  
T11615 eMarketer | InsiderIntelligence.com

- India's BNPL journey has just begun , despite some players been there for ages.
- The pioneer in this segment has been Bajaj Finance who is still very much the market leader. But the upstarts are way ahead in their customer on-boarding as also quick disbursal process.
- Unlike Bajaj & IDFC First, part from the Private banks like ICICI, HDFC, AXIS bank POS financing has been the major focus with Pinelab processing maximum of them. This market is expanding rapidly too. But POS financing have min purchases & longer term EMI schedules & available to those approved by banks or the financiers.
- **BNPL is a different product**

## The new partnership evolution



## How can BNPL sustain in India?

### How BNPL in India can sustain

The very combination of factors like lack of Access to credit, rising eCommerce trends within booming retail uptake like Q-comm with rising trends in upsurge of getting branded household goods at doorstep delivery makes BNPL players a huge opportunity to become the playmaker as a convergence point of demand meeting suppliers in a seamless way as Tao Bao, Alibaba has long done in China, now being replicated by Amazon, Ebay, FlipKart etc worldwide.

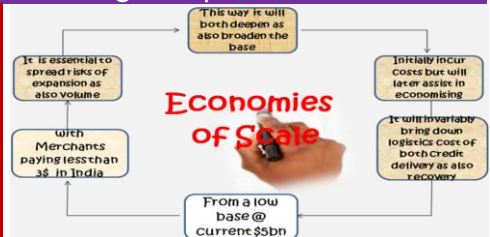
The Indian Story would be different as it traverses the odds with opportunities. On the one hand the market size, unmet demand and the Digital and Finance rail is ready, the depth and broadening of the scale is of paramount importance to sustain itself and be ready for the Trillion Dollar opportunity.

How India can make it?

**Amazon, eBay etc have been there for decades, why then BNPL?**

Uniqueness lies in forcing Amazon to embrace BNPL as a product despite much bigger financial giants failing to capture the mood.

Klarna, AfterPay, ZIP, Zest in various ways breached the glass façade of High Streets finance & bulldozed its way into recognition by democratising the access to finance, bringing in the uninitiated.



With low access to credit as a plank to grow BNPL providers is in a unique position to conjure and hinge a meshed network of cross selling of goods & services. The twin challenges are of prime importance.

- 1) Cracking the Layers of the demography
- 2) Last Mile Delivery Strategy

## The emerging BNPL landscapes of India

### BNPL in INDIA

Where are we Now

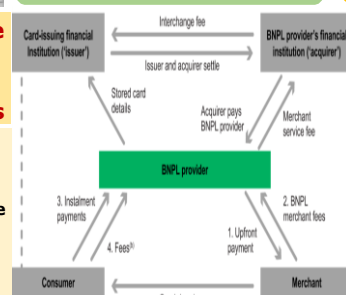


**SUPPLY SIDE COHORTS Are in place with newer forms of delivery like DTC, Embedded Finance & others**

As Consumption pattern changes & new segments are added by Suppliers a Meshed Network of Credit Delivery will gradually emerge like the MFIs, but with a different elements of framework & price discovery for the Merchants as also the customers

If India are to attain the projected compounded growth of 2x-5x during the next 4 years it is possible to reach USD 50 bn arithmetically. But it is not assured as unlike in the developed economies the very base of Credit Accessibility is low.

- Three Challenges of BNPL providers in India is facing & trying to circumvent.
- Broaden & Deepen Debt to household
- De-risking BNPL delivery vis a vis recovery of dues in time
- Better KYC on boarding & Credit disbursement methodology & Recovery



This is the traditional BNPL to Consumer model. This is the first flush of activity. But as is seen restricted Tier 1&2 cities mostly. In India BNPL providers can & are combine or create an extra leg by providing the Merchants with B2B facility, while tying up on-lending of the same goods or services to the Customers below, innovating age-old Kirana Financing model. ALMA of France is already BIG in this in India too it is flowering.

## For whom the BNPL Bell in India Tolls

•As described in our Approach Note FFIFS believes & predicts with conviction that in India BNPL in its revamped forms is going to last & probably be a game changer by ushering in a revolutionary changes in the transaction eco-system as BNPL is not merely a payment method any more, it becomes a way of life. From a very narrow use case It will surge next years to scale unprecedented heights because of it all pervasive transaction empowerment. How so?

• The gap in Credit Access provides for an innovative on-boarding & outreach challenge which Zest and others players have demonstrated. Mumbai, Bengaluru figures in this map along with Surat Coimbatore Chandigarh as subset of Tier II cities that can rival the big 6 metros, judging by the 2021 reports of Zest, Razorpay etc. Besides consumption pattern is changing one such innovative BNPL we found was Berger Paints purchase empowerment by BNPL method. It can possibly be replicated everywhere. It's the just beginning of the story

FFIFS believes in, as reflected by the huge interest by the Investors reposing their trust as the trend suggests where Indian start-ups continue to garner record millions of investment funds. Are all of them in a lurch for a mis-guided splurge? Perhaps not. It's a new story in the making, with projected Billions, already a worldwide phenomenon. [Come join us and let us make another grand foray into an Inclusive Financial system deep dive. Be a part of the journey, engage, deliberate & debate and let us help find out more about BNPL & its powers to unshackle the locked doors of Access to Credit.](#)

Shake Hands & Grow together so that EVERYBODY GAINS

ALL financial service providers, Large Companies, Regulators, Insurers, POS lenders, Embedded Financers, AI/ML driven Loan origination providers, eCommerce Players, Logistics providers, Merchants of all shades - Online or Brick and Mortar, Travel & Tours, Hotels - Entertainment, Food Delivery – Grocery, Mom & Pop stores, Kirana stores, Healthcare & Medicine providers and, practically all Supply Side providers SHALL use BNPL. And foremost of all, large stratum of ever growing Customers are the stake-holders of the Eco-system.

## Walking the Talk – Let's Engage & Make it Happen

- FFIFS with mBnk & a seasoned group of very eminent professionals have taken a mission mode view & wish to call all & sundry that let us try to fathom the depth of BNPL eco-system because we strongly believe that from a low base BNPL in its rapidly changing forms can really become a force in itself to bring forth the fundamental issue of Access to Credit.
- In our earlier engagements in Digital Inclusion & Financial Inclusion days we participated & saw how a small initiative created a momentum of a concerted movement where the government, the businesses, the advocacy groups and people from various walks of life came together, indulged in fierce deliberations and debates which unleashed e-governance, Aadhar, UPI, Mudra. Now that BNPL is considered a phenomenon let us all jump in it together & create a win-win situation for all of us, to make our community grow stronger and well endowed