

# Suspension of Aadhaar verification to hit lending of small fintech players

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Fintech players, especially online lenders in the personal and consumer loans segment, are likely to face slowdown in business following the Supreme Court order that prevents private companies from seeking Aadhaar data for e-KYC and e-signatures.

Following the apex court's order, the National Payments Corporation of India (NPCI), an umbrella organisation for all retail payments in the country, has suspended both e-KYC (know your customer) and e-signature-based National Automated Clearing House (NACH) for enterprises to collect recurring payments from customers digitally.

Under the e-NACH system, a customer was able to authenticate a payment process with a one-time password (OTP), making it cost-effective for companies and easy for consumers as it did not require any paper work.

Players in the lending space feel that while business loans will not get hit in the short term, those that provide small loans to consumers will now have to do a re-think of their business model.

Industry experts are also of the view that while bigger players will be able to sustain a hit on their profitability, many small players are likely to shut shop or get acquired.

Rohit Lohia, founder of online lender Cointribe, told *BusinessLine*: “Consumer/personal loans will see lot of stress as these kind of loans are needed on an urgent basis. So, if the players can’t process the loans urgently, consumers will opt out of the platform. Besides, these are very small-ticket loans, and with paper-based verification and clearance, the business becomes very unviable as costs will increase drastically.”

Bhavin Patel, co-founder & CEO of P2P lending platform LenDenClub, said that loan disbursal to SMEs won’t be affected much as physical verification used to be a part of the entire lending process even before the verdict. However, to disburse small ticket-size loans, it would become an unviable business for many players.

## Consumer lending

In India, consumer lending, which is mostly unsecured loans, forms a larger chunk of the overall lending market in terms of volume, and is growing at a 21 per cent annually as per industry players.

According to Euromonitor International, consumer lending has grown at a healthy pace in India, and demand is expected to continue on the back of growing economy, rising disposable income, and changing lifestyles.

Piyush Khaitan, Founder & Managing Director of NeoGrowth, meanwhile, said that the suspension of usage of Aadhaar increases the set up time for physical mandate or verification, but it is not much of a cause for worry, or an operational hassle for players that cater to small- and medium-sized businesses.

Patel of LenDenClub said that even though NPCI is looking at alternative modes for e-KYC and e-mandate, it is unlikely that they will release those solutions till the elections are over, which means the entire industry will have to suffer for at least 8-10 months more.

He further added that while NPCI is looking at internet banking-based mandate, it is unlikely to pick up, as most people are comfortable with mobile banking than internet banking.

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