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Market Watch

# Contactless payments, digital loans make kiranas open doors to fintech

BY ASHWIN MANIKANDAN, ET BUREAU | APR 30, 2020, 07.34 AM IST

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MUMBAI: The [coronavirus pandemic](#) might help achieve India's stated goals of creating a less-cash economy and enhancing financial inclusion. Shoppers at even neighbourhood stores now want contactless digital payments, and that demand dovetails with what [lenders](#) want in lieu of working capital loans — [digital invoices](#) and online transaction records.

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Top [fintech companies](#) are, therefore, rushing to tap into this new consumer trend, with several of them offering digital solutions to small merchants. These range from instant loans to digital billing to even geotagging, as companies believe the merchant digitisation business will boom when the lockdown eases.

Leading UPI player PhonePe, for example, has introduced new features on its popular mobile application that allows customers to track live the shops open in their vicinity. The Walmart-owned payment firm has also provided an option to make remote payments — without visiting the shops — directly from the app.

“These features also solve the problem from the merchants' side as they open shops not only as per the extant government regulations but also based on inventory levels,” said Vivek Lohcheb, VP Offline Business Development, PhonePe. “I think the innovations... will make a change in the way customers shop for everyday essentials.”

Investments in the online-to-offline (O2O) commerce space is gaining momentum with Facebook's multi-billion-dollar stake purchase in Reliance Jio and recent capital infusion rounds by PhonePe, PineLabs and Paytm. However, experts say that profitability in the payments

business is likely to remain a challenge, leading more players to offer value-added services such as as lending and insurance.

“Plain payments business is unlikely to get returns as there is no fee to be gained on MDR,” said Raman Khanduja, CEO, MintOak, an SME payments platform. “The opportunity is in providing a platform for bank and SME relationship to thrive. The segment is globally underbanked because there is no salary trail to underwrite loans. However, with digital payments, financiers are getting more comfortable lending to these businesses.”

Paytm, PhonePe and BharatPe have either launched or have announced small ticket credit to users. WhatsApp Pay has become the latest entrant to the club, with the company announcing its ambitions to lend in a filing with local regulators.

MasterCard-owned Pinelab has also started offering lending services through tie-ups with NBFCs such as Mahindra Finance, Indifi and Flexiloans planning to complement it with billing services.

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