DIGITAL LENDING IN INDIA: INTERVIEW WITH KISSHT CO-FOUNDERS KRISHAN VISHWANATHAN & RANVIR SINGH

Host: Hi, I'm David from Vertex and welcome to another episode of Take V where we interview founders breaking new ground with innovative technologies. Now we've seen a huge rise in digital lending in India, disrupting the industry by leveraging AI, cloud infrastructure, to deliver better customer service at lightning turnaround times.

Now today, I'm very excited to have with me Krishnan and Ranvir, co-founders of Kissht, a digital lending platform based in India, to speak with us. Now Krishnan, Ranvir welcome to the show. Both of you have experience working in private banks, you're McKinsey alumni, NBFCs. So how did you guys meet and what led you guys to start Kissht in 2015?

Krishnan: Ranvir and I, we were both together at McKinsey. That's how we know each other, we were part of the financial services practice. And through, and through the practice, we've served leading banks, like I said, life insurance companies, NBFCs in India, globally. It was just becoming very obvious to us that there is a fundamental flaw in the market opportunity and the way the existing institutions are serving them. When we look at India, I mean it's a very cliched topic, but the under-penetration particularly of credit was just staring at us this I'm talking about back in 2013, 2014 and 2015, right? And the reasons for the under-penetration were very obvious right. The entire thinking behind how to leverage data and digital was just not incumbent among the institutions in India. And personally speaking, both Ranvir and I, apart from very deep financial services experience, we come with deep digital background. Both of us are engineers. Ranvir has been the risk practice head for Asia-wide for McKinsey. So there's a very natural thing for us.

There was an opportunity staring at us on one side and then there was the personal competencies of us that just made it obvious that we could be successful here. I think more than that, particularly for the segment we were interested in, the lower-income, the new to credit, the young, the younger segment. It was just waiting to break out right, from a macro perspective. I mean, the economy was booming. The job market was

happening in India was just on the start or what was the digital revolution which actually has played out over the last five years.

Ranvir: We also realized that anything which is a pure vanilla credit will never do justice to the customer proposition that the thesis that we follow is that credit has to be part of their lives, their journey. It cannot be a standalone offering to the customer.

Host: I understand you guys have launched a new product called Ring. Could you share a bit more about that?

Ranvir: David, Ring is the most critical initiative that we are driving. What we are offering to our customers is a convenience at point of sale. When a customer is trying to buy something, it is available without any hassle. When this credit is offered, it is offered at a very lean, very favorable terms and conditions so that we can help customers complete the sale. Not only that, as you know, India has moved to a QR code, kind of an economy where every transfer, most of them micro-payments happen on QR code. We have been working towards creating a platform
which allows the customer to make any and every kind of purchases or payments at the back of credit, say a bill payment they are doing, they are transacting at the large network of merchants that we have. We have acquired close to around 300 thousand merchants where they can just go in, do, scan and pay. Or the customer is looking for some emergency credit, they want money in the bank account or they have some recurrent purchases that they keep doing that helps them do those purchases. Plus, the plan was to also offer credit card to these customers. So the idea was for all purchases, we should be able to cater to the customer needs in a very wholesome manner.

Many people, in their market, the Fintech, they are only catering to, I would say, a requirement of giving a plain vanilla as I was saying, credit, where somebody has to give installment loan. This, we are flipping it completely upside down and saying no, we are going to offer you anything which is catering to your need. Part of your journey, part of your purchase is part of the transaction. And that's what this initiative is.

Host: How does Kissht look to differentiate itself from the other kind of players within the market and the more innovative ones, right? Not the traditional incumbents, but the more digital, forward-looking competitors.

Krishnan: There is a basic element of differentiation and there's a "wow" element of differentiation. Let me talk about first, the basic element of differentiation. It's easy to give loans, right? It's not easy to give loans which actually payback and create value. And what I mean by that is there was a reason why access was the big issue, right? And the fundamental problem with the segment we were catering to was not easy to unwrap from an income perspective,
which is the traditional way you think about quote and unquote, whether they're capable of taking credit or not. Therein lies the first aspect of differentiation. I mean, everybody talks and abuses the word "data" and machine learning, but we actually implemented it. We implemented it in a way that we use a lot of unstructured data, proxy data, and what we call from a strategic perspective as a low and grow, right? Start with a low exposure to a customer, understanding better then really try and grow with them, right? So the element of the business model, low and grow, and looking at data in a very differentiated manner. Well, the first point of differentiation, that basic point of differentiation - get access to them, get access in a way that's convenient, seamless, and dignified for that. I think there's a second element of proposition which is what Ranvir was alluding to. It's the "wow" element of proposition. The "wow" element of proposition does not happen overnight. It's if you embed customer experience into an entire cultural DNA within the organization, that's how it comes across, right? It's how they access the data is what we ask of them and what we don't ask of them. It's the features within the product. So if you are catering to a segment and just as an example, there are a lot of small business merchants within them. They've erratic cash patterns.

So can we build in flexibility into our credit proposition? Can we build in layer of purchase credit with their suppliers into the element of our credit proposition. Looking at customer, looking at his needs and building in product features that specifically addresses different needs of the different subsegments within who we are doing. Created the "wow" elements. So it's the basic element of access, backed by data. And then the "wow" element, which is basically just understanding the customers and having a product that is beyond plain vanilla credit, but much more than that.

Host: So of course, we're now talking about non-traditional data points, right? And how a lot of new companies are using these from your wearables and other points of data sources which are quite atypical. Is this something that, you know from an AI, data perspective you guys are trying to incorporate more to get more data points so that you make better assessments of customers, especially in the credit space?

Ranvir: We actually turned it completely around. We basically said, once you have a machine-learning model, our thinking was that none of those traditional variables actually work. For a person who is a typical customer that I'm describing, say 25, 26 years, a customer, maybe a salaried customer or a self-employed customer. Very rarely anybody looks at purchase data that how much they are buying on Amazon, how much they are buying on Flipkart, are they open to ordering things on, on say, Swiggy, Zomato, the food outlets, etc. Now what it helped us do was to see data, the analysis of the data in a very, very different way. And that actually became call it a source of differentiation when it comes to offering better approval or a higher limit to the customer.

Host: So the COVID-19 pandemic has a tremendous impact on the industry and understand, of course, for Kissht it's no different. And the company had to re-prioritize its focus towards other credit products. So could you just share a bit about what the journey like was for Kissht during the pandemic and really what's next on the horizon for Kissht as you move forward into 2022 and 2023?

Krishnan: The society in the segment we were, we were serving, fundamentally altered in their household economics, right? And that's what COVID-19 lend itself to. What really happened in India was of course, there was a near-term income impairment across segments in India, but particularly the segment we were catering to. But beyond the income impairment, which was a three month, four month, maybe a six month affair. There was a fundamental alteration in terms of household finances, how they think about discretionary spend versus essential spend. And therefore, how do they think about credit as furthering their livelihoods, right? And so what we did post COVID-19 was actually a reflection of how our segment, were changing their own financial nature. It was being more, you know, just being true to the segment we're serving. And what did we do? We fundamentally took a step back and said, hey, today, if a large part of our credit needs servicing, consumption needs like purchasing a mobile or so on and so forth. But whereas what the customer is looking for are very, very different. If he's a businessman, he's looking for credit to buy wholesale products. If he's in the service industry, maybe he requires some coaching. And therefore we just altered a product segment. To cater in a way that our credit is serving a larger share of their credit needs than what otherwise you could. And what it meant was we moved away from partnership-led credit to direct lending to the customer, understanding their needs better. Yes. So we altered a lot of both our channel by which we acquired customers as well as the product features. But they are more of a response to how our customer

themselves were changing their credit needs. I think going forward, the notion doesn't change, right? I mean, it's, the Indian economy keeps changing. There was a movement from consumption needs to essential needs that COVID-19 entailed. But what we're seeing now is once again, the economic growth is happening despite the near term recession, recessionary trends. I think Indian macro is reasonably stable. And customers, once again, are moving toward more aspirational needs, right? So we're again responding and trying to keep it to that segment. And a lot of the innovation that we're trying to do today, particularly on the consumption credit, particularly on the Ring platform that we've launched recently, is now going back to saying that hey, now our customer, is far more in need of certain types of transacting credit products, and let's serve them in a far, far better way.

Host: Now, from your perspective, what trends are you seeing for 2022 and 2023 as we look about 12 months ahead, especially also in the context of the Indian market.

Krishnan: You know the pace of digitization that the COVID-19 spurred in India is just going to continue, right? We've seen, the digitization of the tier-one India, but it is actually well and truly gone into tier two, tier three India as well, including rural India. So that pace of digitization is only going to open up more and more opportunities. We are already operating in over 100 cities in India. Just the entire India becomes your canvas. So that is just one, I would say the continuation of a trend which doesn't seem to be slowing down at all in India. I think on the larger macro side, there is also, I would say, one of the healthier things that are happening in India,
there's a great acknowledgement that fintech and digital fintech is making a difference, which is making the policymakers, regulators, take note and really formulate a set of strong governance norms around it and which we really welcome. And therefore, it's a tacit acknowledgment that people like Kissht, we've really made a difference here. And along with us, this comes a huge responsibility for a company like Kissht, who's in the forefront of making the digital tech revolution happen in India. To be responsive from a customer centricity standpoint, from setting down the right norms and working with the regulator to make sure that there is a holistic approach to entire Fintech lending.

Ranvir: A strong trend, almost a deluge of news coming that as far as the customer behavior is concerned, they will trade all other considerations for convenience consideration. Anybody who is offering convenience, the customer may be a very low-income customer, but given the options, given the way they have also graduated and have understood the power of digital mobile, etc. And we as an organization reading,

rather over-reading this trend. We have always been fanatical about customer experience for, but for us, offering convenience, each and every step is of supreme importance. Anybody who can do that for the customers will be a leader, at least as what we have coming from the, trend that is there. Second I think there's a growing realization, there is no one-size-fits-all approach will work. It's not for nothing that India has a population of 1.3 billion extremely, extremely heterogeneous people when it comes to offering transaction credit, the ability to micro segment, a requirement of a 25-year-old person is very different than a requirement of a 30-year person who's self-employed versus somebody who is working as an office boy, and ability to understand those customers on the back of data. I think we have seen one level of graduation Indian market where people are using data for underwriting. That is quite an another level that we will see happening where people will be using data for experience, for a propensity, understanding how to serve them. And that too in a manner where it is done in a double-quick time. So that's the second thing. Third, I think this has been a trend for long, but it is becoming more prominent from a business model perspective. Partnerships will be key. We, as a company, we realize what is really critical for us is customer ownership. After that, we don't believe that we need to build the tech capabilities. We need to build, say balance sheet with us. We need to have everything in the backend. No, none of that. That is going to be a discretization of capabilities or call it, different players will come with different strengths and being able to leverage the strength while still delivering customer experience and able to bring all of this together in a very coherent way, will be the key, at least in the next two years.

Host: Let's talk about your respective journeys as founders. So my question here is, if you could go back to your younger self and offer just one piece of advice, what would that be?

Krishnan: I would say play to win, but don't be afraid of losing.

Ranvir: I think as an advice, it's important to always be grounded in facts because there's so much of data, so much of the same. It's very easy to be run over by influencers. Or I would not call it a mobbish tendency, but some kind of a mob thinking. But being able to see data, being able to draw insights. Being able to take your stand, which you believe, makes a world of difference for you to create a position for yourself, being able to create differentiation and so on and so forth.

Host: I'm just going to close this time. So thanks Krishnan and Ranvir again for your precious time. So for all our viewers, thanks for watching and be sure to subscribe to our YouTube channel for more tech and founder insights.