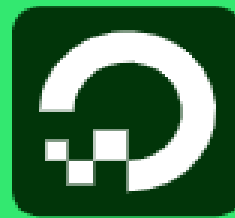


WEEK 1

CASE STUDY



26-Sept-2022

Status-quo:

Our client is an early stage startup, FINCASH. Recently, they have seemingly noticed market stagnation vis-a-vis their competitors. In addition, given the constantly changing digital landscape, they've introduced independent, novel product offerings year upon year. They are well-funded and have a sizeable corpus to invoke basis need(s). Regulatory approvals are in place for existing offerings, but newer licences (if needed) should not be a problem if they are able to grow.

Background & context:

FINCASH is an India-based LSP that focusses primarily on lending to MSME sector, especially those beyond urban areas. Most of their customers have revenues ranging from INR 5 - 25 Cr, while only about 10 % of their clientele has revenues of INR 25+Cr. Statistics are as follows:

Financial year	Number of clients	Annual revenue
2019-20	100	\$ 18,000,000
2020-21	230	\$ 42,000,000
2021-22	245	\$ 48,000,000
2022-present	250	\$ 50,000,000

The CEO has shared the following details with your consulting firm:

- Their main offerings are lending products based on savings and FLDG.
- They wants to venture into manufacturing financial products but with the headwinds of an incoming recession, they are unable to gauge the Rol of this endeavour.
- They would like to retain a niche customer base with specific offerings rather than compete with the global, generic apps with multiple offerings.
- They are open to pursuing other lending options to diversify their clientele. They are also open to collaborating with NBFCs for offerings.

Your proposal and solutions:

Identify the problems faced by the firms, **compare these with competitors** in the same domain. Tapping into the information expended above, **structure the deliverables** you seek to offer our client. Briefly explain the **relevance of** and **thought-process behind** each deliverable offered. **Design a strategy** to provide end-to-end execution of each deliverable (implementation plan needn't be broached upon). **Synthesise and tailor recommendations** upon thoroughly analysing the impact space, trends, feasibilities and company specifics. How could this strategy **possibly transform** with changing times & trends? What are the risks & major barriers you foresee? You possess the autonomy to work on data obtained from any source on the internet - however, do gauge the reliability and credibility of the resource.

Bonus: Triangulate your approach with historical data/transformation elicited by a startup in the same sector.

Helpful hints

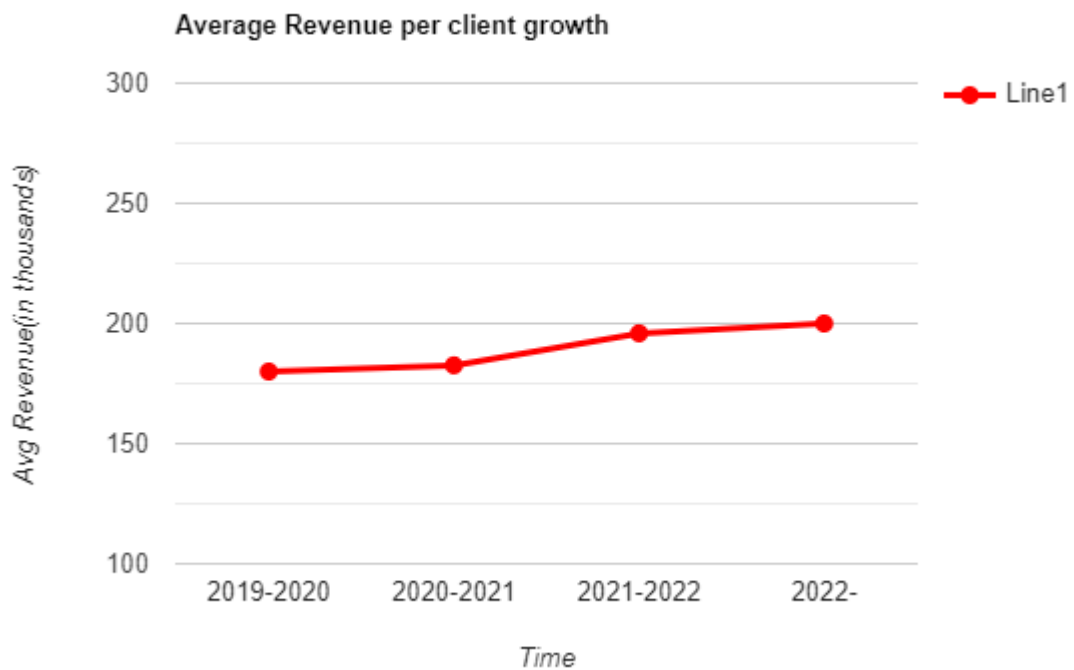
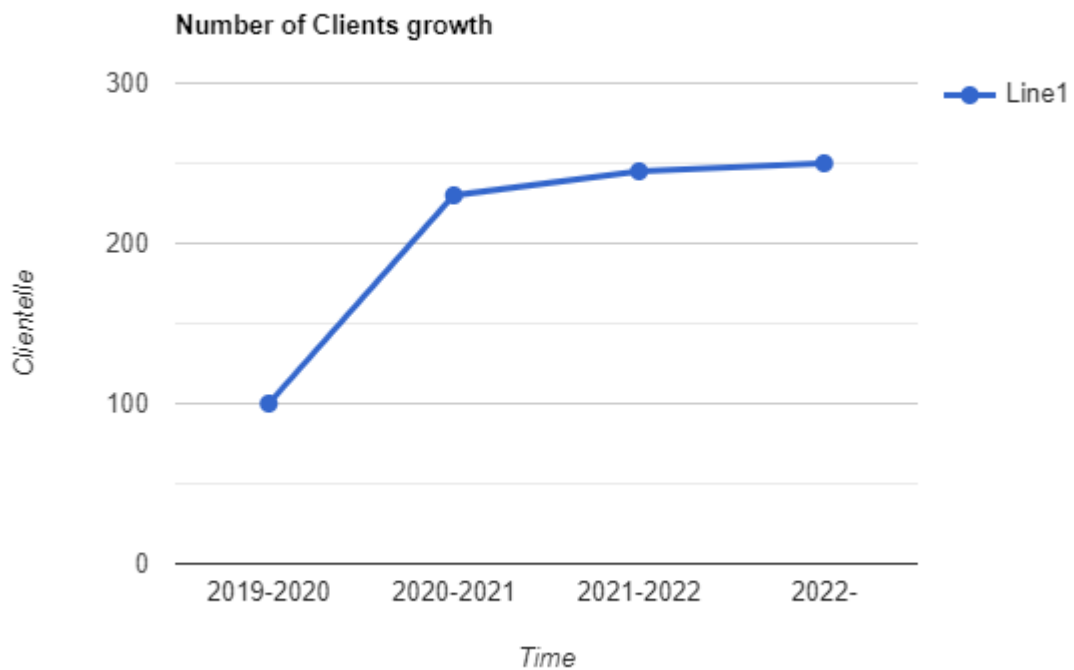
- *Perform a thorough review of all available, pertinent resources to enhance your knowledge of the landscape. This is a continuous process, not one that ends post rudimentary understanding of the problem statement. For more tips on efficient resource extraction, handling & interpretation, look out for our insider tips on the same.*
- *Limit the number of deliverables offered to 3. Scout pitches and proposals online to understand prioritisation and framing of deliverables. Thoroughly vet the rationales before finalising the deliverables. Try to address only 1 problem with each deliverable to simplify your solutions. In case 2 or more problems are intertwined, minimise the complexity of implementation.*
- *Structure the case using a few parameters. Try to ensure that these are mutually exclusive and cumulatively exhaustive, in order to come up with the best possible solutions to each of the deliverables proposed. Offerings can be multiple but focussed.*

WEEK 1 CASE STUDY

FINCASH - FINTECH STARTUP

Problems analysis:

1. The regulation of the fintech industry is more complicated than for traditional financial institutions such as banks. Most of the regulatory practices are customer-oriented, often leading to a certain delay or restriction in the provision or implementation of financial services. Although the practice is to safeguard digital accounts from cases of financial crimes, they also limit the competition at play in the market and the diversity of products offered.
2. Clientele Growth Stagnation: The fintech industry experiences the influx of multiple competitors at various levels, which offer almost the same product range. Most innovations have been deployed on a large scale by multiple companies and have led to stagnation in the market. In effect, the consumer base has dispersed evenly. Moreover, more than 50% of global investment in fintech is in the Asia Pacific region, making it a very competitive fintech region.
3. The considered company intends to serve a niche market, and its clientele growth seems to be hit by the CoVID slump. This can be seen from the below plot, where the company added 130 clients in the first year followed by double-digit numbers. As a result, not only are fewer people venturing into business, there is also a higher rate of defaulters (especially in the insurance services provided; such as FLDG) which in turn incurs huge losses for the considered company. This calls for better marketing of their current products to overcome the CoViD slump.



4. Innovate or stagnate: As the majority of their clientele don't have huge revenues, there is a lack of security and a lot of risk associated with NPAs and consequent debt to the banks. The niche market that the start-up targets requires diverse, secure, attractive and affordable product offerings.

Comparison with competitors:

Early-stage startups have to focus more on growth, especially in an industry with many players.

Deliverables:

1. Target Problem: Clientele Stagnation

- Gap analysis: Lack of diverse, attractive and unique consumer-centric products
- Target State: Clientele expansion
- Roadmap to Target State: The average revenue per client growth has steadily increased through the market recession and clientele stagnation. This indicated that the startup offers effective and profit-incurring products. With the insurance of the product efficacy, the company should divert resources for clientele expansion. Early-stage startups have to focus more on growth, especially in an industry with many players.

Since the start-up is well funded, our primary strategy would be to make the same products more affordable and accessible. Implying that we could decrease the cut received by the company in exchange of attracting clientele. Affordability plays an essential role in targeting the medium and small sector players and could give the company an edge over its competitors.

The company will cumulatively either increase or maintain its revenue while expanding its customer base, which will help in establishing a long-term relationship with the same and ensure a firm grip over the niche market.

2. Target Problem: Losses incurred due to defaulters

- Gap analysis: Other startups are converting to more secure options in collaboration with NBFCs primarily because of increased defaulting during the CoVID pandemic
- Target State: Provision of customer-centric products along with a system to prevent/manage cases of default.
- Roadmap to target state: Converting insecure FLDG products into product collaborations with NBFCs.

FLDG products are seen to incur huge losses when defaulting rates start increasing and should be replaced with products in collaboration with NBCs, especially insurance companies, helping the fintech provide a proper framework to manage defaults as well as increasing the customer base for the insurance company by supporting them with the fintech's digital infrastructure.

3. Target Problem: Lack of innovation

- Gap analysis: Most fintech companies have started to bring in more unconventional products which need not necessarily be financial

- Target State: Creation of newer products which promote client collaboration and hence create a more comprehensive ecosystem promoting business and client growth for FinCash.
- Roadmap for manufacturing financial products: The company can possibly develop a P2P network product which helps different MSME clients to collaborate and to trade with FinCash as an intermediary. This will create a possibility of a complete MSME supply chain funded and supported by FinCash, thus encouraging newer clients to become part of the FinCash network.

This will also create an assured market and a sustainable future for the company even if the MSMEs grow. This will help the startup retain successful clients who move out of the MSME bracket. This network could possibly incorporate small transportation companies and vouch for their growth and fixed clientele.

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