

**NEWS HIGHLIGHTS**

**Outward remittances cross \$1 bn in Sept 2017**

**Infosys eyeing tie-ups for AI, data analytics**

**The restrictive regulatory framework for PPIs**

**Alibaba seeks CCI nod to buy stake in BigBasket**

**Private equity, venture capital funds get relief from Vodafone-type tax**

**Today's View**

**BigTech for Banks**

Who would have thought a simple web search engine provider could someday pose a challenge to financial conglomerates someday?

This looks increasingly plausible, especially with the ever-growing comfort of millennials with regards to adopting technology in all aspects, including financial services. For example, as per **McKinsey's Global Banking Review**, 73% of the U.S. millennials say they would be more excited about a new offering in financial services from **Google, Amazon, Paypal** or **Square** than from their traditional bank. These renowned "Tech" companies seeking to create a "Big" stir in the BFSI sector are popularly termed as "BigTechs". Indeed, Amazon, one of the BigTechs, has already lent \$3 billion to online merchants since 2011.

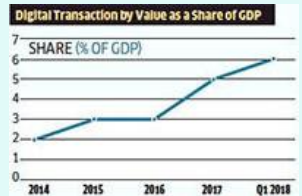
With cloud computing, artificial intelligence and big data analytics becoming critical drivers of competitive differentiation among financial institutions, BigTech firms like Amazon, Google and Facebook are in a better position to offer financial products based on these emerging technologies. For instance, Amazon is now providing services to dozens of finance companies, including **Aon, Capital One, Carlyle, NASDAQ, Pacific Life** and **Stripe**.

Similarly, Google, having recently launched its Google Cloud Platform in India, is offering its expertise to multiple financial institutions like **BNP Paribas, SulAmerica, Vibrant Credit Union** etc. One noted example is that of London based FinTech startup **Ravelin** which leverages Google's Machine Learning abilities to prevent credit card frauds.

**INTERESTING NEWS**

**Digital payments will pay off in time**

Morgan Stanley conducted an Alpha Wise Survey of MSMEs on digital payments outlook.



**KEY POSITIVES FOR THE SURVEY ON DIGITAL TRANSACTIONS**

- Demonetisation helped boost UPI, BHIM and mobile wallets
- Aggregate share of digital payments within total transactions is approximately 25% (largely dominated by cards)
- Tier-II/III cities, very small merchants (turnover of ₹2-5 million) show higher share of digital payments

The study concludes that though digital payments adoption is very high at 77% the share of transactions is still low at 25%.

Source – *The Economic Times*

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Date – 14<sup>th</sup> Nov 17

Apart from Cloud and emerging technologies, BigTechs are focussing on core services like payments. Almost all BigTechs have opened their wallets to seize the digital payments opportunity, which is as of date largely dominated by fintechs such as **Paytm**. Attracting 5,00,000 users within 24 hours of launch, Google's Payments app "**Tez**" has lived up to expectations. **Amazon** is also aggressively pushing its wallet "**Amazon Pay**", leveraging its massive user base on its e-commerce platform. Not to be left behind, **PayPal** has launched its domestic operations in India enabling merchants to process both local and global payments through its integrated platform (thought this could be a bit delayed an entry).

BigTech is relatively more prominent in few countries. For instance, in China, large technology companies like **Ant Financial** and **Tencent** have emerged as leading providers of a range of financial services – a striking departure from the traditional bank-led model prevalent in other major economies.

With the ability of BigTech firms to pick and choose their point of entry into financial services, and maximize their strengths like rich datasets and strong brand personas, major financial institutions would have to strike the right balance between capitalizing on the services of BigTech firms and becoming dependent on them.

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## Today's News

### Outward remittances cross \$1 bn in Sept 2017

The Liberalized Remittance Scheme, which allows resident Indians to send money abroad, has come under RBI's scanner because of a sharp rise in remittances.

Remittances grew by 60 per cent to \$1,093 million in September from \$683 million in September last year, according to the RBI data. However, overseas investments made in equity and debt under the LRS have a small share in the money spent under scheme. It is the money sent for travel, education, and maintaining close relatives that has the lion's share in outward remittances.

Source – Business Standard

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### Infosys eyeing tie-ups for AI, data analytics

Infosys is looking to partner with companies that offer data analytics or artificial intelligence (AI) platforms, including IBM, but has no plans to abandon its own Nia platform.

Infosys is seeking to use these platforms to help it win more business from its own customers. Infosys wants to scale up the business model that allows it to sell a cognitive platform that will help its Fortune 500 clients run their businesses more efficiently. For this reason, the Bengaluru-based firm wants to sell solutions like IBM Watson along with its service offering.

Source – Livemint

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This News Letter has been prepared with the assistance of Sadhika A. and Manish Kulkarni

### Bitcoin prices took a record plunge over the weekend

Bitcoin prices plummeted by 29% from a record high \$7,882 last Wednesday, dropping to as low as \$5,605.

The reason for this dip was when last week a group within the Bitcoin community abandoned its push for an update to the cryptocurrency that would ensure faster transaction speeds called 'Segwit2x'.

Source – Yourstory

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### Active.ai announces \$8.25 m Series-A funding, at the Singapore Fintech Festival led by Vertex Ventures

Active.ai announced a \$8.25 million Series A financing led by Vertex Ventures, Creditease, and Dream Incubator. Existing investors Kalaari and IDG Ventures India will also participate in the round.

Their proprietary AI engine enables financial institutions to have a meaningful engagement with their customers in an intuitive natural format.

Source – Let's Talk Payments

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### OneAssist gets funds from Sarin

OneAssist, which provides assistance and protection services in areas such as wallet, smartphones and gadgets, has raised funds from Arun Sarin, former CEO of Vodafone Group.

Source – The Economic Times

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## The restrictive regulatory framework for PPIs

The Master Directions mandate that every PPI has to be upgraded to at least minimum details-KYC before end of this year. They also require PPI issuers to offer users the option of opting into a PPI issued with full-KYC. This requirement is a risk to user churn and adoption.

At the same time, the default minimum-details PPI has several restrictions in terms of loading, transactions and amount outstanding. A monthly cap of Rs 10,000 for each means users may only use them for such use cases as utilities, telephone bills and so forth.

Source – *Livemint*

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## Alibaba seeks CCI nod to buy stake in BigBasket

Alibaba has sought approval of the CCI for acquiring stake in BigBasket. “The proposed combination relates to the acquisition and purchase of shares of Supermarket Grocery Supplies by Alibaba Singapore,” according to a CCI notice.

Earlier this year, there were reports citing people aware of the development that Alibaba, along with Paytm Mall were in discussions with BigBasket to pick up a minority stake for about \$200 million. Investing in BigBasket would help Alibaba add more muscle to take on US-based rival Amazon.

Source – *Livemint*

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## Private equity, venture capital funds get relief from Vodafone-type tax

The latest Central Board of Direct Taxes move will allay the concerns of investment funds, including private equity and venture capital funds, which feared multiple taxation of the same income at the time of subsequent redemption or buyback by non-residents in their offshore entities.

This regime will be available for all non-resident investors above the level of the direct investor, who is anyway chargeable to tax under the income tax law, the CBDT said.

Source – *BusinessLine*

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## Toshiba, Tech Mahindra partner to build smart factories

Toshiba Digital Solutions and Tech Mahindra today announced a strategic partnership to work in the area of a smart factory.

This partnership aims to leverage strengths of both sides and offer a one stop solution for manufacturer customers with the latest IoT technologies and system integration capabilities from both sides, a company statement said.

Source – *The Economic Times*

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## EasyRewardz gets \$2 million Series-A funding

Customer experience management EasyRewardz announced that it has completed a \$2-million series-A round of financing round led by TransContinental Venture Fund.

The startup plans to deploy the funds raised to expand its sales and marketing efforts as well as broaden and accelerate product development.

Source – *The Economic Times*

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## Matrix Partners invests in Itilite

Matrix Partners India has invested in B2B travel SaaS provider Itilite. It will use the money to strengthen the technology platform and expand the team.

The company is an end-to-end corporate travel management solution that seeks to reduce cost by rewarding employees for saving on travel.

Source – *BusinessLine*

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## How Europe trumped US for Indian IT companies

While U.S. still contributes 2/3 of the IT sector’s revenues, over the past few quarters, it is countries in Europe that are bringing the maximum growth.

U.S. – especially in the BFSI industry has dropped to low, single digits for top IT firms.

Source – *The Economic Times*

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