



Exploring Opportunities in the BNPL Segment for SMEs in India

SME BNPL, or Buy-Now-Pay-Later for small and medium-sized enterprises (SMEs), is a financial solution designed to assist SMEs in their business transactions with suppliers, distributors, aggregators, or B2B marketplaces. BNPL offers a flexible credit option that enables SMEs to make immediate purchases of goods or services and repay the amount in manageable instalments over a specific timeframe.

The operational process of SME BNPL involves SME buyers receiving the products or supplies upfront while deferring the payments. Simultaneously, the sellers receive the full payment from the buyer's chosen financier instantly. This arrangement allows small businesses to access necessary goods or services without a significant upfront cost, while sellers benefit from upfront payment, enhancing their cash flow. Some of the SME BNPL also provides benefits like:

- **Reduced Working Capital Issues:** SME buyers often struggle to maintain a balanced working capital after fulfilling various financial obligations. By utilizing SME BNPL services, buyers can purchase products or avail of services without an immediate impact on their cash flow. This enables them to meet customer demands and maintain a smooth supply chain.
- **Instant Purchase:** SME buyers can make instant purchases without the requirement of immediate payment. This is especially advantageous for small businesses facing challenges in obtaining traditional loans or having limited access to capital. With SME BNPL, they can stock up on inventory or add necessary services and defer payment to a future date.
- **Revolving Credit:** SME BNPL provides buyers with a revolving credit facility, enabling them to make repeated purchases without limitations. This continuous access to credit reduces the stress and financial burden on small business buyers.

Some key aspects for Organizations offering BNPL products for SMEs to consider in the Indian Market are:

- **Target Market Analysis:** Organizations shall have to conduct thorough market research to identify the target market segment that would benefit from BNPL solutions. It is important to understand the purchasing behaviours, preferences, and financial needs of SMEs operating in various industries in India & offer customizable solutions to the customers when needed.
- **Risk Assessment and Underwriting:** Fintechs will require to develop robust risk assessment and underwriting processes to determine the creditworthiness of SMEs and their customers. In the underwriting process, it is important to consider factors such as credit history, business performance, and transactional data to make informed decisions while minimizing the risk of defaults.
- **Partnership Opportunities:** Organizations shall need to explore partnerships with financial institutions, payment processors, or industry-specific platforms to expand their reach of BNPL services. It is important to collaborate with trusted market partners to enhance credibility which can indirectly help improve market penetration and access a wider network of SMEs.
- **Integration Options:** Most providers are exploring integration options with e-commerce platforms, payment gateways, or mobile applications that are widely used by SMEs in India. It is important to ensure seamless integration and compatibility with existing systems to offer BNPL as a payment option during the checkout process.
- **Customizable Solutions:** Organizations have to offer customizable BNPL solutions to cater to the unique requirements of SMEs. It is important to provide flexible repayment plans, varying interest rates, and instalment durations that align with customers' interests.
- **Regulatory Compliance:** Organizations have to stay compliant with the changing regulations and guidelines set forth by the Reserve Bank of India (RBI) and other regulatory authorities. These help the institutions to adhere to customer data privacy, fair lending practices, and any licensing or reporting requirements imposed on BNPL providers.
- **Continuous Improvement:** Organizations to have to regularly assess and improve the BNPL product based on customer feedback, market trends, and technological advancements. It is important to realign the strategy & set the expectations for the growing products as it will help organizations not only stay updated with the evolving needs and preferences of SMEs but also improve their business in the Indian market through an adaptable product.

As consultants, we can provide valuable assistance to fintechs and financial institutions offering SME BNPL products in the following areas:

- **Market analysis and strategy** for SME BNPL products by conducting research to identify target segments and analysing the competitive landscape and market trends. This includes developing market entry strategies, positioning recommendations, and identifying niche opportunities and market gaps. Additionally, you can help create a comprehensive business plan and roadmap for the development and launch of the BNPL product.
 - **Product development and enhancement** of SME BNPL products by assessing the existing offerings and providing guidance for improvement and innovation, which includes advising on product features, payment terms, repayment options, and pricing models.
 - **Aid in meeting the regulatory compliance requirements** for SME BNPL products, we can help Financial Institutions & Fintechs stay updated on relevant regulations, including RBI guidelines, NBFC regulations, fair practices code, KYC and AML regulations, and data protection and privacy laws.
 - **To help with Risk management** for SME BNPL products, which involves activities like assessing credit risk and developing risk assessment models by providing time-to-time changes on underwriting criteria, credit scoring methodologies, and strategies to mitigate risk.
 - **To improve the partnerships and alliances** which involves identifying strategic collaborations to expand the reach and distribution of SME BNPL products. You assist in negotiating and structuring partnerships with various stakeholders such as e-commerce platforms, merchants, and suppliers.
- The growing popularity of BNPL solutions presents an exciting potential for empowering SMEs in India. However, it is crucial for financial institutions and organizations to approach this segment with careful consideration and thorough preparation. By conducting comprehensive market analysis, assessing risks, forging strategic partnerships, ensuring seamless integration, offering customizable solutions, and adhering to regulatory compliance, organizations can position themselves for success in the SME BNPL space.

As the landscape evolves, organizations should continuously evaluate and improve their BNPL products and services based on customer feedback, market trends, and technological advancements. This iterative approach will ensure that offerings remain relevant, adaptable, and aligned with the evolving needs of SMEs.

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Market News

Razorpay Launched "Turbo UPI": How is it different from regular UPI

Axis Bank and the National Payments Council of India (NPCI), two leaders in the fintech industry, have joined forces to create Turbo UPI. With the new feature, clients of online retailers may make UPI payments directly without being sent to an external

UPI app during the checkout process. According to a statement from the firm, Turbo UPI intends to lower the possibility of payment failures.

The firm claims that Razorpay Turbo UPI can give a 5X quicker payment experience and assist businesses enhance UPI payment success rates by 10%.

PhonePe Becomes First Payment App To Link 2 Lakh RuPay Credit Cards To UPI

Leading fintech business PhonePe said that it has successfully enabled the linking of two lakh RuPay credit cards to the Unified Payments Interface (UPI), making it the first digital payments app to do so. Additionally, it processed a RuPay Credit Total Payment Value (TPV) of Rs 150 crore via UPI. The business said that its goal is to provide a full range of RuPay Credit on UPI solutions in collaboration with NPCI in order to increase consumer and merchant acceptance of the payment method. The business has already made RuPay credit cards acceptable on UPI at 12 million merchant locations across the nation, obtaining the largest merchant penetration in the ecosystem.



Weekly Funding

COMPANY	ROUND	AMOUNT
XFLOW	Seed	\$ 10.2 Mn



Knowledge Session

IT Services Outsourcing Master Directions from RBI

As businesses increasingly rely on outsourcing IT services, understanding the Master Direction on Outsourcing of Information Technology Services becomes critical. This webinar aims to shed light on the importance of comprehending the key elements of this directive and how it can help organizations mitigate risks and meet regulatory expectations. It provides valuable insights for attendees of our upcoming webinar on the subject.

Key Points:

- Overview of critical expectations from regulation for REs
- Understand key Risks related to Outsourcing Engagements
- Approach for REs for building control framework and compliance

SPEAKERS

Sameer Singh Jaini
Founder & CEO

Shashank Shekhar
Co-founder &
Head of Consultant

2nd June 2023 | 3:00 to 4:00 pm IST

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