

**Anju Patwardhan, Managing Director, CreditEase FinTech VC Fund
CreditEase**

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Barefoot:	00:01	We have a wonderful show today, because my guest is Anju Patwardhan. She is the managing director of Credit Ease, Fintech Fund and Fund of Funds. Anju welcome.
Patwardhan:	00:12	Thank you.
Barefoot:	00:13	<p>I'm so excited to have you with us today. You and I have known each other for a few years. I feel like we always run into each other in some interesting part of the world. I remember seeing you in Jakarta and Singapore, maybe in Manila and London and so on. I know you're everywhere and I especially wanted to have you on the show today to talk about your global perspective on financial inclusion and also the work of CreditEase and the fintech fund. Also, to talk particularly about your insight on China, because I know you are doing a great deal of work there.</p> <p>I'd like to start by asking you to talk about yourself. I will say first, I recently hosted an event when I introduced you to speak, I remember saying I probably shouldn't say this in this distinguished group of people, but you all should look up on Anjus background, because she's just awesomely, credentialed. Give us some of the highlights of the things that you've done and also your own background.</p>
Patwardhan:	01:46	<p>Thank you. In terms of my professional background, basically, I spent most of my career in banking. I worked with Citibank and with Standard Chartered Bank in a variety of different roles. mostly covering Asia Pacific at Citi, and then at Stan Chart several global roles. I lived in Singapore for about 20 years. My roles included Chief Risk Officer and Chief Operating Officer. I was the first digital banking business head for Citi in Asia back in 2000 when everything was just getting started. My last job at Standard Chartered was as the global chief innovation officer. We had innovation labs in different parts of the world. I grew up in India, I'm an engineer, I did my engineering at IIT Delhi and then my MBA at IIM Bangalore</p>

Barefoot:	02:46	What part of India did you grow up in?
Patwardhan:	02:47	Mostly in Delhi. After my MBA from Indian Institute of Management, I started working with Citibank as a Management Associate. Now I work with Credit Ease which is a very large fintech company in China. CreditEase is a market leader in wealth management, asset management and marketplace lending in China. As part of our wealth business, we also offer several funds to our high net worth and ultra high net worth clients. These include a Real Estate Fund of funds, a Credit Fund, VCPE Fund of Fund. There's an Israel Innovation Fund and also the Fintech Fund. I manage our USD Fintech Fund. It's a billion dollar fund, half of which is in US dollars and half in RMB. We invest globally, focusing primarily on Fintech. Our two main markets are US and China, but we also invest in other parts of the world.
Barefoot:	03:52	You skipped over your academic background other than your own college. You also have been a Visiting Scholar ... Fulbright Fellow at Stanford, among other things.
Patwardhan:	04:07	Yes, that's right. Thanks for bringing it up. In fact, I remember when I was a Fellow at Stanford, you were a Fellow at Harvard at the same time.
Barefoot:	04:14	Indeed, that was-
Patwardhan:	04:15	Doing similar things and we often exchanged notes about how it was going.
Barefoot:	04:21	Yeah.
Patwardhan:	04:22	I was at Stanford in 2016, as a Fulbright fellow and Visiting Scholar from ASEAN. My research at the time was focused on Fintech and financial inclusion, essentially on use of technology to support financial inclusion in a for profit manner. After that I was also a fellow at Stanford in its Distinguished Careers Institute in 2017 and 2018, which has been another wonderful experience. I'm still affiliated to Stanford as a Continuing DCI Fellow.
Barefoot:	05:00	Great. We'll put your whole biography in the show notes because if we talked about it, it would take up the whole time. Let's start with financial inclusion then ... what is your

perspective. You see the whole span of these markets, what's going on globally? What are the trends that you feel are most promising and what are you worrying about also with financial inclusion and technology?

- Patwardhan: 05:26 In terms of promising trends, I'm very encouraged by rapid increase in financial inclusion we are seeing, supported by the mobile revolution, use of additional data sources, machine learning and AI. All of that is pretty much transforming the landscape not only in emerging markets but also in the developed world and supporting financial inclusion in a very big way. I still remember until a few years ago most people used to think of financial inclusion as something done as CSR or philanthropy or by the foundations.
- One of the things that I found absolutely fascinating in my role as Chief Innovation Officer was that I started seeing technologies that could help solve some of the challenges that we used to face in my risk roles at Citi or at Standard Chartered, in terms of credit risk management and fraud risk management. Distribution also used to be a problem because you needed to set up physical branches. A lot of people in the emerging markets did not have credit bureau history or many markets didn't even have a bureau ... I'm talking about the days in India and China and Hong Kong, pre Asian financial crisis. Most of these markets didn't have a credit bureau. Therefore, underwriting used to be very complex, manual and expensive and losses used to be high.
- Barefoot: 07:02 That means that you don't bother underwriting someone unless they are substantial customers
- Patwardhan: 07:08 Correct. I also remember a period when I was the head of credit risk for Asia for consumer finance at Citi, we were doing the business in several countries. In some markets, the high credit losses made the businesses unviable from a risk return perspective. When I started seeing all these technology solutions, it sort of clicked in my head that many of those problems can now be solved using technology. The businesses can be done in such a way that it makes them viable and profitable. I think that's the piece that was ... it was like a light bulb moment for me. That's what I focused on during my Fulbright work as well.

In fact, a few months ago, we collaborated with Stanford Business School and with IFC (part of World Bank), and published a report which is called Financial Inclusion in the Digital Age. CreditEase is a market leader in China in terms of supporting financial inclusion. It's called inclusive finance in China. That's the phrase that's used there. We published this report, and the main reason was that a lot of corporates, a lot of banks and financial institutions still believe that financial inclusion cannot be done in a profitable way. My belief is that we will never be able to build solutions at scale unless the large corporations get engaged. If it's only done as philanthropy or CSR or by foundations, we will never be able to reach the billions of people who are financially underserved today.

Barefoot: 08:53 What is the solution to that? Because I completely agree with you. A lot of people are still skeptical, even with the new technology that these markets can be profitable and scalable. What does it take to overcome the skepticism?

Patwardhan: 09:11 A few things that we highlighted in the report ... one was what are the central frictions? What are the problems? They can be broadly categorized into three categories which I call affordability, access and product market fit. One can use technology and data science to solve for a lot of those things.

To help people get over that skepticism, when we did that report, we decided to also publish the list of 100 companies globally that we are seeing, which are trying to solve the problem and they're trying to do it in a for profit manner. These are VC funded companies, very focused on returns, but also very mission driven.

Because I think nothing resonates with people better than examples of companies which have made it work and some of them have got listed, some of them are now very highly respected and valued. We also invest in a lot of such companies.

A simple example would be distribution. In the old world, physical branches were the only way to reach consumers. They were expensive, and foreign banks were restricted from having too many branches. Now using mobile phones and digital distribution, you can reach consumers anywhere in the world. For example, we invested in a company called Branch, which does microlending in Africa using only mobile phones. The

reason they can do it is because it's cheap, and they don't have to set up branches. Their technology infrastructure is global and scalable.

That is just one example.

Another example of friction would be that often times the information from the large financial institutions is not very transparent or easy to understand or easy to read. A lot of the consumer platforms are coming up that are very focused on financial literacy and financial education. They also help consumers with product comparison in a very easy to understand manner. That could be for product comparison for insurance policies or even for consumer products. An example would be Credit Karma in the US or NAV. NAV is the equivalent of Credit Karma for small businesses and it's another company that we have invested in. They help educate small businesses on how to improve their financial situation, or how to access different lenders for working capital facilities, et cetera. There are many, many such examples from all over the world where these companies are helping consumers solve some of those problems that were previously deemed to be too difficult to overcome.

Barefoot:	11:49	Yes, give us some specific insight on consumer finance in China. What are the trends that you think are most significant as people get more financial access and the market becomes so enormous there?
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Patwardhan:	12:13	China is a fascinating case study for Fintech and for financial inclusion. I think when it comes to B2C Fintech, China is probably the global leader now, way ahead of anywhere else in the world when it comes to lending, payments, digital distribution. et cetera. Still, it is not so advanced in B2B Fintech. I would say, the US is still the center of the universe for B2B Fintech, but we are seeing some very interesting examples in China when it comes to B2C. I can give you an example of one of our own subsidiary companies called Yirendai which is now listed on NYSE. Yirendai is the first company globally to start doing lending using a mobile App. That was I think five or six years ago.
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There're many more examples now but ... lending would be just one example. Even if you look at payments, you look at what Alipay and WeChatPay have achieved in terms of payments in

China. When I go there, I find that the whole country is cashless. I mean I can't get an AliPay account and therefore I have to struggle to find an ATMs and get cash sometimes. But everything there is cashless. People just pay using those apps. 95% of online shopping is done using a mobile phone, not using PCs.

On my recent trip to Hangzhou in China, I remember trying to check into a hotel and the reception desk there had these iPad kind of devices, which were trying to lock into our faces for facial recognition, using biometrics. I'm not in the database yet or so I think ... but I was traveling with two of my colleagues from Beijing and the system identified them correctly. It was really fascinating to see biometrics in action. It was also scary in some ways, but it's also really amazing to see that it works so well. They still had to show their ID cards to check in but at least it was working.

Another similar example of a fascinating use of technology to support financial inclusion is in India with Aadhaar where the digital ID has taken financial inclusion to a whole different level. I mean Aadhaar combined with easy bank account opening is now starting to yield so many positive outcomes. As I often say, financial inclusion is a means to an end.

Barefoot:	14:59	Yes.
Patwardhan:	14:59	It's what you do with those accounts after they're opened. It's what you people can do once they have access to alternate payment channels or payment sources. That's where we are starting to see very interesting applications both in China and in India.
Barefoot:	15:14	I want to go there, but before we do, let me mention, we did a show with Sanjay Jain about Aadhaar so I'll link to that the show notes as well, so people can re-listen to it was really fascinating, unbelievable. As you know they got biometric identification on almost everyone in India, which is just remarkable.
Patwardhan:	15:36	Yes, now many other countries are thinking about doing this. I was just reading a Bloomberg article today, which stated that Philippines plans to implement a similar system.
Barefoot:	15:44	Interesting.

Patwardhan:	15:45	Using biometrics in that country. I think it's a huge positive step.
Barefoot:	15:51	Have you thought about, as you said on the facial recognition, anecdote about checking into the hotel, this is a double edge sword. We're excited to be able to easily identify people, but we worry about privacy as well. Do you have thoughts on how we should navigate that? What are the secrets to protecting privacy?
Patwardhan:	16:14	Yes, I think all of us have to be very mindful of the risks ... and privacy concerns are one of the biggest issues, and so is cyber security.
Barefoot:	16:25	Right.
Patwardhan:	16:25	I mean most organizations spend so much on cyber security these days. Again, what we have to remember is that technology has no ethics. Technology is not good or bad. It's how we use it and how it's applied. Having said that there are also studies which show that people in different countries have different views on privacy. There was a study published by Harvard on how much people are willing to pay to protect their private information. If I recall correctly, I think at one end of the spectrum was Germany where people were willing to pay a lot and the GDPR regulations in EU are step in the right direction or also for example, PDPA in Singapore.
		But at the other end of the spectrum were countries like China where people are not so concerned about privacy. India was somewhere in the middle but closer to China. Having said that, I think companies building the solutions need to be very mindful of how the consumer data is being used and what are the boundaries ... not just the legal boundaries but also the ethical boundaries. The other thing they need to be very mindful of is keeping consumer data secure and confidential.
Barefoot:	17:46	Yes, it's a challenge.
Patwardhan:	17:47	I think those are going to be big challenges in the future.
Barefoot:	17:51	You said a moment ago that once we get sort of baseline financial inclusion and we've talked before in the show about the world bank goals, and complete, almost ubiquitous financial inclusion by the year 2020 and so on. You said that once that

happens, then we have to think about what then do we do for these customers, how do we make sure they're well served and protected, and you said some exciting things are going on on that. Talk more about that.

Patwardhan: 18:18 When people talk about financial inclusion, they mostly talk about people who are unbanked, people who have no access to any form of financial products from what they call stable and sustainable financial institution. That used to be 38% of the population, adult population. I know there was a recent Findex publication and the numbers have changed for the better a little bit but I don't think very much.

Barefoot: 18:42 We'll link to that as well.

Patwardhan: 18:43 Yes.

Barefoot: 18:44 Also, to your report, by the way, financial inclusion in the digital age.

Patwardhan: 18:47 Thanks. If you think of ... Think of 38% as unbanked there are another 57% of the adults who are underbanked. What I mean by that is they may have access to say a bank account or a payment option, like one financial product, but they do not have access to the entire suite of financial products and services. They may not have access to insurance, they may not have access to savings products or wealth management products. I think the ... if you think of the world as a pyramid, it's only the top five percent of the population which has full access to financial products and services.

It's not just the 38% who needs to be brought into the financial system, but it's also the 57% who need to be given greater access to products and services that they need in an affordable manner. I mean insurance would be a classic example. I just want to share with you an example of a company called Fair that we invested in recently, which has started a leasing product for used cars in the US. Now I did not know until a year ago that in the US every year they sell about 15 to 20 million new cars, most of which are leased, but another 35 to 40 million cars sold each year used cars and there are no good leasing option for those.

Most of those cars are either sold through a bank loan, if the customer has good credit history and a good score, or they have

to raise money through alternate means. With Fair, interestingly, you can lease a car using a mobile App. I leased a car through them entirely through the mobile App, and the car was delivered to my house. It was a wonderful user experience. They've started doing leasing for used cars, and they are effectively serving the population that did not have access to an affordable lease option earlier, a flexible lease option.

Or a company called Upgrade where we recently led their Series C funding. They started with unsecured consumer lending, then launched the second product ... if I may call it a product. They launched a product that was linked to consumer education and consumer literacy. They're very focused on financial education, and are now moving into credit lines.

I think what we need to be focused on is both segments, the unbanked or underbanked. Underbanked is the one where I feel that there are lots of opportunities for large financial institutions to do a lot more and to do it in a for profit manner.

Barefoot:	21:24	Once people have the foundational piece, the payments capability on their mobile phone usually is the first step, then we can start delivering more products and services to them efficiently.
Patwardhan:	21:37	Yes, much more efficiently and in a much more cost effective way.
Barefoot:	21:40	I know we're going to run short on time. Do you think that the regulatory framework has an important role to play here? Do you have advice for regulators on how to advance financial inclusion and still keep the system safe and secure?
Patwardhan:	21:56	I think it certainly does. I'm a big supporter of what I call proportionate regulation. The regulatory environment and the regulations have to be in line with the risk introduced by those institutions to financial stability and to the consumers. I mean, there needs to be a balance between financial stability and consumer protection, and having clear regulatory guidance is always a big plus. I have worked with regulators from all over the world and I find that some of the regulators have been very forward thinking in this regard. For example, the regulators in UK (FCA) or the regulators in Singapore (the Monetary Authority of Singapore) ... even Thailand, or Australia ... they've been very progressive.

The regulators in China are really progressive, especially when it comes to financial inclusion.

You look at the models in China and India ... they are two completely different models, but both have been extremely successful in supporting financial inclusion. In China the regulators were supportive, mostly in an implicit way in the sense that they did not kill innovation. They allowed all these tech companies to flourish and get to a certain point, then they started talking about the right regulatory framework. That has supported a lot of innovation in China. The Fintech innovation in China mostly come from the technology companies because of this what I call this implicit regulatory support.

In India on the other hand, all the innovation and financial inclusion growth has been through very, very explicit regulatory support by the government, in partnership with the banks. A lot of the Fintech companies that are coming up are licensed by the central bank. Aadhaar that we talked about has been a big help, or the Jan Dhan Yojana which used to open bank accounts, significantly helped. All of that was done in a very centrally planned manner. We've had collaborative effort between the government, the central bank and the existing financial institutions that worked together with the technology firms.

Two different models but very positive outcomes and with very strong regulatory support. Also the same is true for the UK and Singapore, like I said. The US ... I find very confusing. I think there are just too many regulators, state regulators and federal regulators. I don't know ...it just causes more confusion than clarity. I do hope that the recent report, which was published by the US treasury and you were talking about it on the podcast with PeerIQ ... I do hope that will help provide clarity and make things better. Maybe there is a need for a regulatory sandbox just to encourage more collaboration across the different regulatory entities in the US. I don't know, but I find that sometimes it's a huge bottleneck for consumer products.

I mean, when I came to the US two and a half years ago, I was surprised at some level. I was fascinated by what was happening in fintech here, but I was also shocked at how backward, if I may use that word, the consumer banks here were. I have been living with this notion of near real time funds transfers across banks for almost 20 years ... countries like Korea and Japan

have had it at least for 20 years. Singapore has had it for. I don't know, at least 10 years or more. In India, You can do near real time funds, transfers. In Pakistan too ... you can do that so many countries. Then I came here and discovered that there was no way to do it.

Barefoot: 25:59 Yes.

Patwardhan: 26:00 Some of the things here really shock me that the system is still the way it is and I guess some of it is due to lack of regulatory coordination. I don't know, you probably know it much better than I do. You have worked in that space for a long time.

Barefoot: 26:15 I do. I live and breathe that. I do think, and we talked about it at the conference we're at, we're going to have to find a way to enable our US regulators to work more closely together and collaborate. As you said, I think the Treasury report, which we can link to in the notes as well, has good steps in nudging...but we're not going to reorganize these US agencies short of another crisis and even in a crisis we don't organize that much. We need to figure out a new model or a new architecture of collaboration.

Patwardhan: 26:52 An example of that would be China. China also has a lot of regulators, and they came up with their Fintech regulations a couple of years ago. They did not create new regulatory entities, right. What they did was they looked at different parts of fintech and they made it very clear on who was going to be regulating which kind of fintech companies. Then each of those regulators came up with their specific blueprint on how it should be regulated and started having dialogues with the industry. Maybe that's one way to go about it but somebody needs to come up with that framework saying who is responsible for which area.

Barefoot: 27:31 There are conversations underway on it. I'm optimistic, but it's a going to take a lot of time.

Patwardhan: 27:36 I'm always optimistic.

Barefoot: 27:37 Yeah me too. I know we're just about out of time. Can I ask you, and I know your next meeting is going to walk into this conference room and we're going to have to stop. But last quick question, talk about the impact of all this for women globally.

The opportunity for specifically for inclusion for women in the financial and economic system.

- Patwardhan: 28:00 One of the fascinating things about use of technology to support inclusion is that it deals with a lot of barriers in the emerging markets. I remember growing up in India, women often didn't have the time or couldn't make the time or couldn't go to the bank branches. They were joint holders, but in a very passive way, or even in other emerging markets that I worked in. With mobile technology, that gap is diminishing by the day. We also see more and more women in very senior roles in so many of these countries.
- In fact, I still remember when I was at Citi, and Philippines, Thailand and I think Hong Kong were the three markets where the management team had more women than men.
- Credit Ease is another example in China. I think at the senior leadership positions and as business heads, there are more women than men. Also from an investment angle, we have invested in a company called Ellevest started by Sallie Krawcheck which does financial planning and financial advice for women. Having said that I don't think I've seen too many fintech companies started by women founders yet-
- Barefoot: 29:18 No, not yet
- Patwardhan: 29:19 Very few. I'm hoping that we would see more going forward. What I am very encouraged by is that a lot of the companies do serve women, some have specifically designed products for women and some design it in such a way that they are appealing to everyone.
- Barefoot: 29:19 Yeah.
- Patwardhan: 29:39 Yeah
- Barefoot: 29:39 Yes, I cannot thank you enough. I can talk with you all day, again. I know we're out of time, but where can people get more information if they want to know more about CreditEase or the fund?
- Patwardhan: 29:51 For our Fintech fund, we have a website, it's at www.cefintechfund.com. They can go to the website. They can also find us on twitter @CreditEaseCorp. They can follow me on

twitter @Anju Patwardhan, but I think the website is probably the best way to get more information about us.

Barefoot: 30:17 We'll link to that in the show notes as well, at jsbarefoot.com. Anju thank you for being my guest today, you're just fantastic.

Patwardhan: 30:23 Thank you. I really enjoyed it and I know you're trying to write a book on this topic-

Barefoot: 30:28 Indeed.

Patwardhan: 30:28 I gave up the idea of writing a book. I just thought it was too hard, but I do hope that you do it and good luck.

Really great talking to you.

Barefoot: 30:36 Great, thank you!