

NEWS HIGHLIGHTS

How India's startup ecosystem is expanding beyond online retailers and cabs

Valic trims Flipkart valuation to \$7.9 billion

Amazon, Microsoft and Apple to seek clarity on Google tax

Flush with funds, Flipkart, Paytm and Amazon rush to enter food delivery business

Today's View

Challenge Funds

Challenge funds, an innovative and versatile financing mechanism, provides institutional funding to 'challenging' projects across the globe. Forming the core of this mechanism, a donor agency (e.g. Canadian International Development Agency) hosts a funding competition for a broad sector (e.g. trade or agriculture) to seek innovative proposals that may not be discovered otherwise via more traditional funding mechanisms.

There are various challenge funds with varying fund and ticket sizes. For example, **Grand Challenge Canada**, focused on health innovation, has budgeted C\$225 million while the **Asian Development Bank Fund** in Vietnam deploys only US\$3 million.

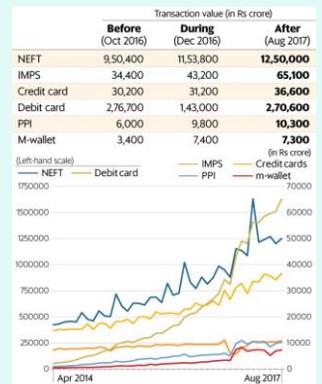
Many other government offices are also exploring collaboration in the Fintech space in the form of challenge funds. For example, **British High Commission's** report on "Fintech in India" lists 10 areas of focus where both Indian and U.K. Fintech regulators and firms could collaborate. One of steps involves exploration of a possible Fintech "challenge fund" to encourage startups and building out a business case for a Fintech incubator.

One of the most prominent funded projects through a Challenge Fund is **M-Pesa** - Kenya's mobile money transfer service. The electronic payment system, which allows users to withdraw, deposit and transfer cash via their mobile phones, started as a pilot project funded by the U.K. Department for International Development's **Financial Deepening Challenge Fund**. Today, majority of Kenyans use M-Pesa which is expanding the scope of financial inclusion programs not just in Kenya, but across the globe.

INTERESTING NEWS

Moderation in digital money but drama elsewhere

While digital transactions spiked after note ban, their numbers have since declined.



Multiple payment platforms have launched, including UPI & Bharat QR. In coming years, one can expect consolidation.

Source - Livemint

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Date - 06th Nov 17

Acknowledging the potential and role of technology in improving people's standard of living, various challenge funds, focused exclusively of tech-based initiatives, have launched. In this world of flourishing through philanthropy, **Technology Literacy Challenge Fund**, launched by Bill Clinton, is the single largest investment devoted exclusively to increasing the use of technology in elementary and secondary education. With an overall capitalization of \$2 billion, the fund aimed at encouraging local communities, companies, universities and others to work toward fully integrating technology into the curriculum resultantly improving quality of education.

Innovation has increasingly been seen as a promising way to solve the entrenched world challenges. In this backdrop, Challenge Funds could play a pivotal role and carry immense potential waiting to be tapped in order to broaden the traditional menu of options available to address development problems.

Today's News

How India's startup ecosystem is expanding beyond online retailers and cabs

Nearly half the firms founded in 2017 operate in the B2B space, according to a report by Nasscom and Zinnov. In all, B2B startups now make up around 40% of the Indian startup ecosystem.

"The growth of B2B startups is being driven by fintech, health tech, and B2B enterprise products," the report said. The trend is supported by an increase in the adoption of advanced technologies, including analytics, AI, IoT, AR, and blockchain.

Source – Scroll

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Valic trims Flipkart valuation to \$7.9 billion

Mutual fund investor Valic Co. has trimmed the valuation of Flipkart. In its latest quarterly report, Valic marked down Flipkart's valuation slightly to about \$7.9 billion—which is way below the \$11.6 billion valuation at which Flipkart raised funds earlier this year.

The timing of the latest valuation markdown comes as a surprise, given that Flipkart has largely consolidated its position as India's top online retailer over the past 12 months and orchestrated a turnaround of its fortunes under chief executive officer Kalyan Krishnamurthy, after spending the better part of last year conceding market share to arch-rival Amazon India.

Source – Livemint

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

InMobi's growth plans: Partnerships, video ads and programmatic advertising

InMobi plans to target e-commerce, smartphone makers, and telecom companies with their ad monetization platform and will continue to focus on their video ad platform and programmatic advertising.

Source – ET Tech

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PayU's India business set to turn profitable in 2 months

The acquisition of Citrus Pay proved that PayU is extremely bullish about the Indian payments story.

The Global and India CEO also see consolidation in the Indian market as part of a global trend in the next 12 months even as PayU India is set to break even in the coming months.

Source – ET Tech

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Demonetisation effect: Online travel sales rise in 2017

Over the past few years online travel sales have seen a sharp increase as a growing tribe of millennials and urban travellers rethink the way they travel. "...demonetisation helped grow online travel sales during 2017. Railway bookings through Paytm became common, as even consumers in II and III tier cities started switching to online channel," said Shabari Das, senior research analyst at Euromonitor International.

Source – Business Standard

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Amazon, Microsoft and Apple to seek clarity on Google tax

Online firms are planning to meet finance ministry officials this week to seek clarity on the applicability of general anti-avoidance rules (GAAR) in cases where the websites use patents based out of an offshore jurisdiction.

The move comes after the recent Bengaluru Income Tax Appellate Tribunal (ITAT) judgment against Google India, asking it to pay up taxes on Rs 1,457 crore of income that the Indian arm had transferred to its Ireland unit pertaining to Google's AdWords service, used by advertisers to display ads.

Source – Business Standard

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Flush with funds, Flipkart, Paytm and Amazon rush to enter food delivery business

After grocery, food delivery is emerging as the next big frontier for India's largest ecommerce companies. Flipkart, Paytm and Amazon India are all actively exploring investments, acquisitions or expansions into the food-delivery business. All these giants have separately held talks with food-delivery leaders Zomato, Swiggy, and Freshmenu for investments.

Flush with cash following recent fundraisings, they also have an eye on sector-specific online retail stores as well as travel and entertainment ticketing companies.

Source – The Economic Times

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Flipkart does a soft launch of its grocery category under Supermart in Bengaluru

Online retailer Flipkart has re-entered the grocery category, launching it under Supermart on its mobile application to an initial set of customers in Bengaluru. Flipkart had launched its grocery category and started deliveries in Bengaluru a few months ago, only for its employees.

Flipkart's grocery marketplace requires a minimum order value of Rs 500 and provides free delivery for orders over Rs 1,000.

Source – The Economic Times

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HDFC Bank lines up \$25-30 million startup fund

HDFC Bank is ramping up its focus on startups and has launched a fund to help them access capital as it seeks to expand its footprint in the growing space.

The fund has been started with an initial corpus of \$25-30 million but approvals are in place to increase it quickly. "It's a dynamic fund and the objective is very clear — start small but keep scaling up. As we understand the ecosystem, we will grow it. The government announced a large fund a few years ago but deployment takes time," said a banker.

Source – ET Tech

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Cashfree: Easing multiple bank transfers

Handling, receiving and disbursing payments are time consuming for most businesses. And to ease this process, Cashfree, a B2B fintech start-up, has devised a solution. The firm claims to be the country's first payments gateway that automates inbound and outbound bank transfers.

Source – Business Standard

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China is developing a digital currency

Chinese central bank's governor Zhou Xiaochuan said that the People's Bank of China (PBOC) was looking into developing its own digital currency.

The Chinese authorities see virtual currency as a way to extend financial services to rural areas of the vast country.

Source – Finews

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Uruguay to Launch Digital Currency, "Not Bitcoin" it stresses

Uruguay's Central Bank (BCU) rolled out its digitization of the Uruguayan peso. Set now as a pilot program, the bank's head was careful to remind it "is not a cryptocurrency such as bitcoin".

"The first issue of digital tickets consists of 20 mn pesos, of which 7 mn were already transferred to Red Pagos," the bank declared.

Source – Quartz

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