

A COMPREHENSIVE STUDY ON 12% CLUB BY BHARATPE

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ABSTRACT

BharatPe, an Indian fintech company that provides payment and lending solutions for merchants, has introduced a unique program called the 12% club. This club is an exclusive group of high-performing merchants who have achieved a monthly transaction value of at least 12 lakh rupees through BharatPe.

The 12% club offers several benefits to its members, including access to higher loan amounts, priority support, and exclusive events and programs. BharatPe aims to reward its most successful merchants and help them grow their businesses.

To become a member of the 12% club, a merchant must achieve a monthly transaction value of 12 lakh rupees or more through BharatPe. Once a merchant achieves this target, they become a member of the club and receive the associated benefits.

The 12% club is an innovative way for BharatPe to incentivize its merchants to increase their transaction volumes and grow their businesses. By offering exclusive benefits to high-performing merchants, BharatPe hopes to create a loyal customer base and encourage merchants to continue using its services.

BharatPe was founded in 2018 and has since become one of the fastest-growing fintech companies in India. The company offers a range of payment solutions, including QR code-based payments, card payments, and UPI payments. Additionally, BharatPe provides working capital loans to merchants, making it a one-stop-shop for all their financial needs.

BharatPe has raised significant funding from investors, including Sequoia Capital, Ribbit Capital, and Coatue Management, and has a valuation of over \$2 billion as of 2021. The company has a strong presence in the Indian market and is rapidly expanding its operations.

In conclusion, the 12% club by BharatPe is an innovative program that rewards high-performing merchants and incentivizes them to grow their businesses. With its range of payment solutions and working capital loans, BharatPe is well-positioned to become a leading fintech company in India.

Key Words: 12% Club, Bharatpe, software, fintech start-up etc.

INTRODUCTION

The '12% Club' app has been released by BharatPe. The software is essentially a product that combines investing and borrowing. Customers will be able to invest and earn up to 12% annual interest or borrow at a comparable rate via the app.

The app was developed in collaboration with NBFCs and was authorised by the RBI.

Customers can invest their savings at any moment by selecting the lent money on the '12% Club' app. Customers may now use the app to apply for collateral-free loans of up to Rs 10 lakh. The loan will be available for three months. Consumer loans do not have any processing or prepayment fees.

The business has established an upper limit of Rs 10 lakh for individual investments, which will be expanded to Rs 50 lakh in the coming months.

The BharatPe app aspires to generate a \$100 million investment asset under management (AUM) and a \$50 million loan AUM by the end of the current fiscal year, March 2022.

BharatPe, a fintech startup, entered the consumer industry with the introduction of 12% Club, which would focus on consumer financing and investing. Consumers may invest and earn up to 12% yearly interest or borrow at a competitive interest rate of 12% with 12% Club, which is accessible on Google Play and Apple App Store.

To provide these services to consumers, BharatPe has teamed with RBI-approved NBFCs. By the end of the year, the business hopes to have a \$100 million investment AUM and a \$50 million lending AUM from this product.

HISTORY

This application was established by BharatPe, and over 1 million investors trust it. You may find out more by going to the 12% Club BharatPe website.

The idea behind this programme is that if you want to make the most money (12%), you can invest in their application, and if you need a loan for a short period of time, you can use this application instead of going to the bank. This allows you to borrow money at 12% interest each year.

It implies that whether you have to invest money or borrow money from them in the form of a loan, you must only pay 12% interest in both cases.

LITERATURE REVIEW

The study "Online peer-to-peer lending: A review of the literature" by Shabeen A. Basha Mohammed M. Elgammal states that this research examines the literature on online peer-to-peer (P2P) lending as an emerging but rapidly increasing phenomenon in the context of digital finance from 2008 to 2020. Previous work has been oriented geographically toward the United States and China, with an emphasis on variables of financing success and loan qualities. Recent research has shifted away from utilising logit and survival analysis approaches to forecast financing success and defaults and toward employing artificial intelligence. There is a contentious discussion over whether to use self-regulation or harsher financial institution-based laws, with a few studies advocating a mixed approach.

Future research should look into the determinants and performance of P2P lending platforms in emerging and developing markets, as well as regulatory differences, the effects of behavioural characteristics such as cultural impact, language, information technology literacy, and the innovation quotient on P2P funding attributes, and the relationship between P2P lending and traditional finance channels.

The study "Online peer-to-peer lending: A literature review" by Alexander Bachman states that Online peer-to-peer lending (P2P) refers to the loan origination process between private persons on online platforms, with financial institutions acting merely as needed intermediaries. The first commercial online P2P lending systems were launched in 2005 by organisations in online social networks. As a result, online P2P lending is a relatively new study area. This article briefly introduces the peer-to-peer lending business and examines studies on the factors of peer-to-peer lending. We distinguish between the borrower's financial and demographic data and social variables such as friends and group affiliation.

The evaluated literature sheds light on how variables impact borrowers' chances of successful financing, the ultimate interest rate that must be paid, and the link between borrowers' attributes and loan success.

The study "Peer to Peer (P2P) Lending problems and potential solutions: A Systematic Literature Review" by Ryan Randy Suryono, Betty Purwandari and Indra Budi states that Peer to Peer (P2P) lending is a rising Financial Technology (Fintech) business model. Individuals and corporations can borrow and lend money to one another through peer-to-peer lending. China has become the market with the most P2P lending systems as it has grown. Nonetheless, there is a moral hazard that necessitates the monitoring of this firm. This hazard begins with incorrect verification of the borrower's details. Whereas in Indonesia, Fintech P2P Lending has gained significant attention due to the country's immature legislation and practices.

Moreover, P2P lending is seen as a promising new enterprise. As a result, it is necessary to conduct research on issues arising from the implementation of P2P lending. The purpose of this research is to identify challenges in P2P lending and provide potential technological and non-technical solutions. This study finds a rich picture and

develops a table of issue identification, and potential remedies by adopting the Kitchenham Systematic Literature Review (SLR) technique from the ACM, AIS, IEEE, SCOPUS, and Science Direct databases.

BRIEF INTRODUCTION

Founded Year – 2021

Location – Delhi, India

Company Stage – Unfunded

Legal Entities – Resilient Innovations Private Limited

Associated Companies – Twelve Club, PostPe

Type of Entity – Private Limited Company

BharatPe has partnered with RBI-approved NBFCs to deliver services to clients. Customers who use the 12% Club app can invest their savings at any time by lending money through one of BharatPe's partner P2P NBFCs.

Customers who use the 12% Club app can invest their savings at any time by lending money through one of BharatPe's partner P2P NBFCs. "Furthermore, customers may get collateral-free credit facilities to Rs 10 lacs through the 12% Club app for a period of three months at their leisure. There are no administrative or prepayment fees on consumer loans. "The loan criteria will be decided by a range of elements, including the user's credit score, purchase history using the PAYBACK incentive system, or the amount paid using BharatPe QR," the business said in a statement.

Customers who use the 12% Club app may withdraw their cash at any time, partially or completely, without paying any costs, according to the company.

Users may use the app to earn daily interest credit by investing as low as Rs 1,000. Individual investor limits are presently set at Rs 10 lakh, with plans to raise them to Rs 50 lakh within following months.

Suhail Sameer, CEO of BharatPe, stated that "As we embark on our customer journey, our top objective will be to develop products that are game changers, 100% digital, and easy to use. This one-of-a-kind consumer good is designed to give lenders and borrowers industry-leading benefits."

Suhail added that BharatPe's P2P loan solution for merchants has been a game changer in the market, including over 6.3 lakh sellers spending around \$700 million.

On Tuesday, BharatPe, a fintech startup, announced a new peer-to-peer borrowing product that allows the user to lend any excess funds in their bank accounts to the borrower and obtain higher interest rates than regular banking instruments. The programme, dubbed 12% Club, might allow investors to receive up to 12% in annual interest rates while also assisting borrowers to borrow at 12%, which is far less than often what financial firms offer for personal loans. The company has partnered with RBI-approved NBCFs to market this product.

Individuals would be able to obtain collateral-free loans up to Rs 10 lakh for 3 months with no additional processing as well as pre-payment costs.

"When we embark on our customer lifecycle, our first objective will be to provide products that are game changers, 100 % digital, and easy when using. This one-of-a-kind consumer device was designed to give lenders and borrowers industry-leading benefits "According to Suhail Sameer, Chief Executive Officer of BharatPe, in a news release. "We think that the 12% Club will appeal to a diverse group of new-age digitally savvy clientele, ranging from youth salaried individuals to experts with discretionary earnings and speculators who park their capital in various investments," he added.

Users who want to give loans on the application can begin with Rs 1,000 & invest up to Rs 10 lakh. According to the corporation, the ceiling will be lifted to Rs 50 lakh within the following months. The gadget has already piqued the curiosity of the New Delhi-based company. During the testing period, the application had a regular investment run rate exceeding \$5 million as well as a monthly loan run rate of \$1 million. The company expect \$100 million of AUM for investments & \$50 million in loan AUM by the end of this fiscal year.

Eligibility for registration in 12% Club:

1. Indian citizen
2. Age above 21 years

For applying for a loan:

1. For this, you have to go to the **Loan** option and click on Apply Now.
2. Now you have to link your Bank Account in which you want to take the loan amount.
3. After that you have to do KYC with your Aadhar Card.
4. After that you have to upload a selfie of yourself.

Pay attention to these things: Borrow @12%

- You can take a loan of 1 lakh at any time.
- You can deposit the loan at any time, that too without prepayment charges.
- Zero Processing Fees
- Interest rates (APR): 12% per annum You have to pay interest, it is fixed.
- Processing fees : 0
- A penalty will be charged to you if you have not given your payment on time.
- 12% Club is a new-age digital platform which provides you easy access to Instant Personal Loans of up to Rs.100,000 in a seamless and transparent manner.
- Whatever loan you take from this app, you will have to pay all the money in one go in 3 months, that too at 12% per annum, you are getting this little less time to repay the loan but 1 lakh rupees in 3 months. Giving will not be a big deal.

Example

Loan Amount: Rs. 100,000

Tenure: 3 months

Interest Rate (APR): 12% per year (Flat rate). This translates to 3% in 3 months

Repayment Amount: Rs. 103,000

Total Interest Payable: Rs. $100,000 \times 12\%/12 \times 3$ (3 months) = Rs. 3,000

Processing Fees (incl. GST): Rs. 0





Disbursed Amount: Rs. 100,000 (Loan Amount) – Rs. 0 (Processing Fees) = Rs. 100,000

Total Amount Payable: Rs. 103,000 (1 single payment at the end of 3 months)

Total Cost of the Loan = Interest Amount + Processing Fees = Rs. 3,000 + Rs. 0 = Rs. 3,000

In the 12% Club Application, you will also get to see a Refer & Earn option, you can earn money by using it. For this, all you have to do is create an account and go to the Refer & Earn option and copy your link and share it with friends and family.

You will receive 10% of their total investment if they download the 12% Club Application through your link. If you share it with someone and he downloads it and invests \$10,000 in it by making an account, you will receive 10% of \$10,000, or \$1,000.

Twelve Club Competitors				
Twelve Club's competitors include Money View, LendenClub, IndiaLends, KreditBee. Twelve Club ranks 39th among 455 active competitors.				
	 Twelve Club	 Money View	 LendenClub	 IndiaLends
Description	Provider of marketplace platform for personal loans. It...	App-based platform for personal loans. Loans are offered on...	LendenClub is a P2P platform for personal loans. Borrowers can...	IndiaLends is an online platform connecting borrowers and...
Founded Year	2021	2014	2015	2014
Location	Delhi (India)	Bengaluru (India)	Mumbai (India)	Delhi (India)
Company Stage	Unfunded	Series E	Series A	Series C
Unicorn Rating	-	Soonicorn	Minicorn	Minicorn
Total Funding	-	\$209M	\$12M	\$30M
Funding Round	-	9	7	6
Latest Round	-	Series E, \$75M, Dec 28, 2022	Series A, \$10M, Dec 07, 2021	Series C, \$5.1M, Mar 19, 2021
Investor Count	-	16	97	19
Top Investors	-	Accel, Ribbit Capital & 14 others	Artha India Ventures, AngelList & 95 others	American Express Ventures, Launchpad Accelerator & 17 others
Growth Score	87/100	91/100	91/100	78/100
Tracxn Score	43/100	73/100	72/100	72/100
Overall Rank	39th	1st	2nd	3rd

KEY FINDINGS

1. If the small shop holders want a loan, they can get the loan from BharatPe at the click of a button
2. BharatPe provide loans to the shop owners at 16 – 18% of interest but if they invest in a 12% club they can get the interest at 12%. So this, 4 – 6% interest gap becomes BharatPe's margin
3. BharatPe doesn't lend the money by itself, they do it with the help of the NBFC called as LenDen Club.
4. LenDen club is India's biggest player in online P2P Lending but unfortunately LenDen club's reviews are below average
5. Many people have complained about LenDen club that they don't get their money on time and their customer service is not good.
6. Till now the people who have invested in 12% club have not complained about anything like don't get money on time or any customer service. The good part is they charge zero when they add or withdraw their money.
7. If you add or withdraw money within 1 lakh then the money can be deposited or withdrawn at that time but when the amount is more than 1 lakh then it takes 24 hours
8. 12% club condition is that they give 12% as maximum interest i.e. up to 12% but now everyone is getting 12% interest but it is possible you would get slighter lesser interest with some investment
9. You can invest a maximum of 10 lakh in BharatPe 12% club but very soon the limit will increase to 50 lakh
10. The risk of the P2P investment is that you don't know about the borrower and you have zero control over that. So, whoever borrows that as long as everything is fine, gives the money on time but once they stopped giving the money every investor return will take a hit
11. The people who are taking the loans and from that even the 4 – 5% people don't return the money i.e if they became defaulters then 100% of investor's return will take a hit and this will also be not in control
12. When you invest your money in FD and savings account then you get an interest of 4 – 5% with a guarantee which means the bank assures you 4 to 5% of interest but when it comes to P2P Lending then there is a high risk.

13. The people who take loans at 16 – 18% interest on these platforms, are those people who aren't getting loans from banks or get them at high interest.
14. So basically, when you invest your money in those people who either are being rejected by banks or banks feel that they are very risky borrowers
15. If the situation gets worse means in a year for whatever reason 10 – 12% of people start defaulting then there are chances of all the people's money will be lost in this and in that case either you will find it difficult to withdraw money.

CONCLUSION

1. By all the information mentioned above, we can say that 12% club is slightly better than P2P Lending and most of the tuck shops already have BharatPe's QR code.
2. Chances are less of default but not zero
3. Apart from this, P2P lending is an extreme investment
4. 12% club is riskier than the stock market.
5. You can only be in the 12% club for 1-2 months with a small amount so that you don't have a heavy loss.

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