

Digital lending of unsecured loans

Speakers

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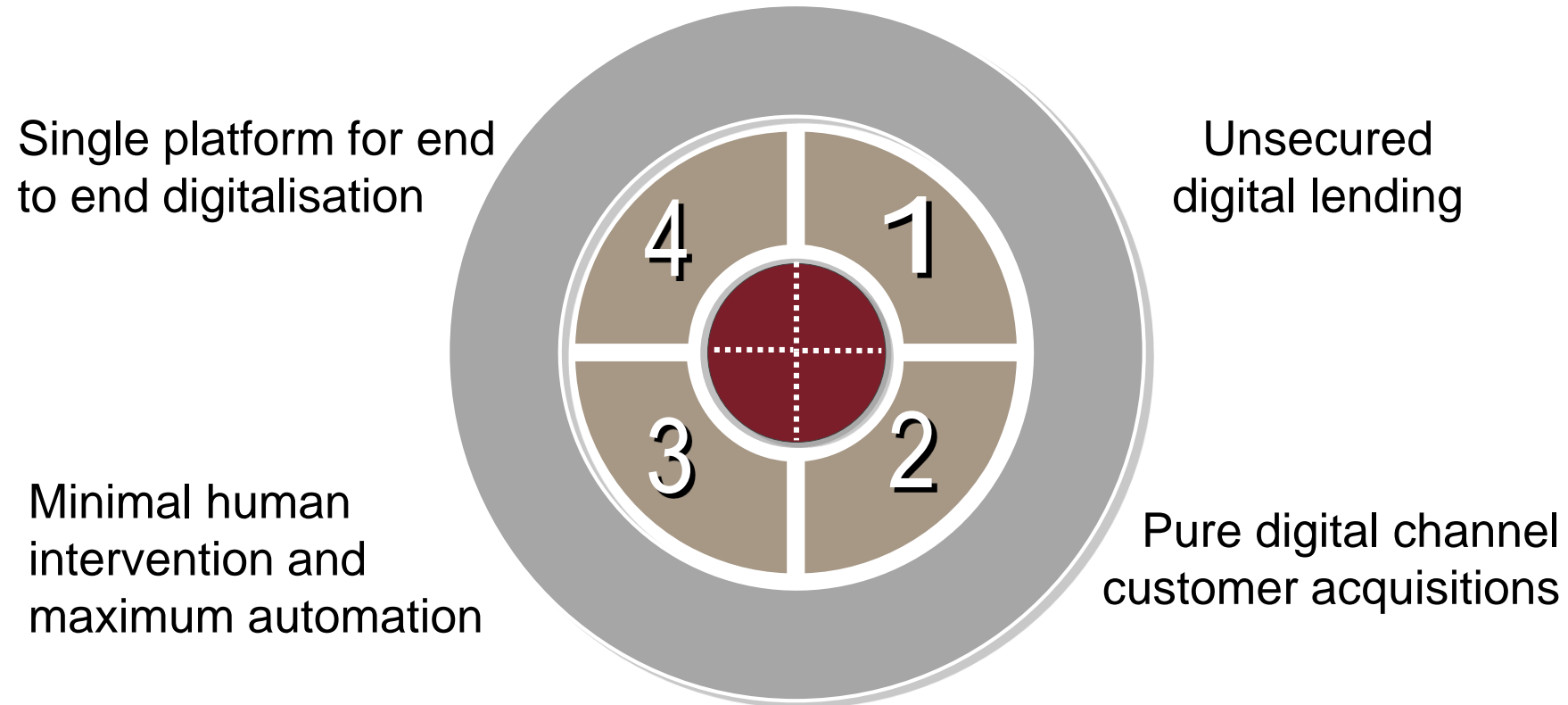
Agenda

- **Why go digital**
- **Consumer attitudes to digital lending**
- **Challenges for digitalisation**
- **Operational overview**

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- **Why go digital**
 - Focus areas of discussion
 - Ecosystem factors
 - Business factors
 - Emerging trends
 - Lender considerations
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Establishing boundaries and focus areas for discussion




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Top 4 ecosystem factors driving the digital lending push

1 
Internet access

- Increased access to the internet at low cost, combined with feature-rich, low-cost phones has expanded the target market

2 
Innovation

- Combining technology with data, fintech firms have ramped up customer base with innovative lending practices and business models

3 
Expectations

- Seamless experiences offered by internet giants in e-commerce has shaped the behaviour of consumers, who expect similar experiences when borrowing

4 
Security

- Improved security enabled by technological advancement has resulted in increased trust among end users

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Top 4 business factors driving the digital lending push

1



Low cost

- Lower manpower coupled with automation reduces overheads in the long run

2



**Improved
TAT**

- With more data points and robust algorithms, lending decisions are faster

3



Adaptability

- Highly agile framework that can introduce changes quickly, both on the policy and customer experience fronts

4



**Consumer
readiness**

- As a young literate population with internet access, the Indian consumer is ready to ride the wave of digital lending

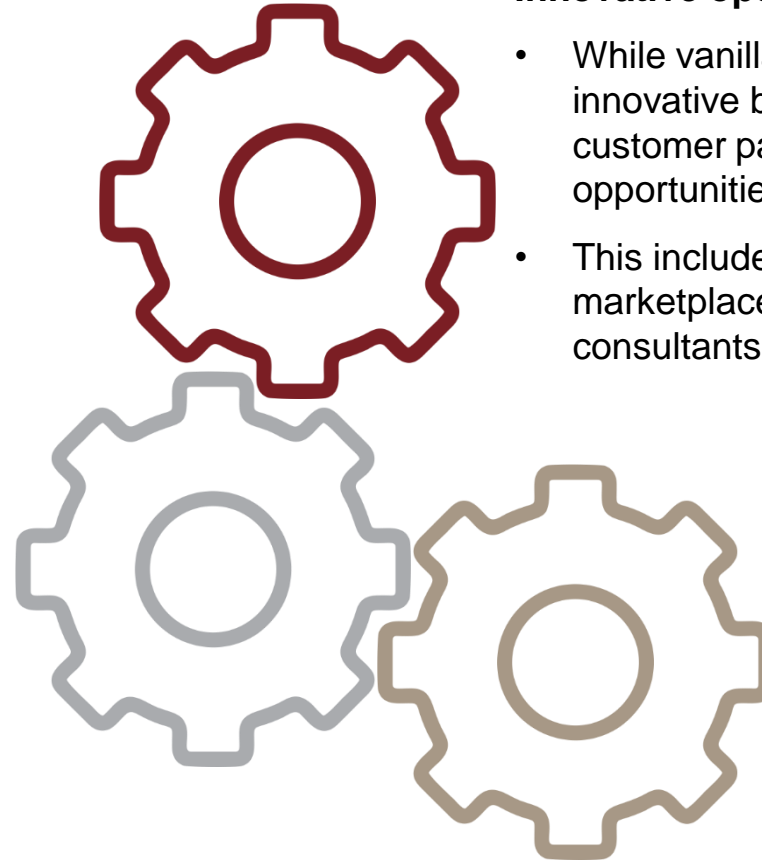
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Emerging trends expected to be mainstream in near future

Competition sans industry barrier

- Non-financial companies with data and technology, across industry spectrums will challenge incumbents
- Telcos, handset makers, e-commerce firms, payment entities are all in the fray



Innovative operating models

- While vanilla lending will continue, innovative business models that resolve customer pain or bring new opportunities will thrive
- This includes P2P lending, loan marketplaces, fintech lenders and credit consultants

Partnerships and collaboration

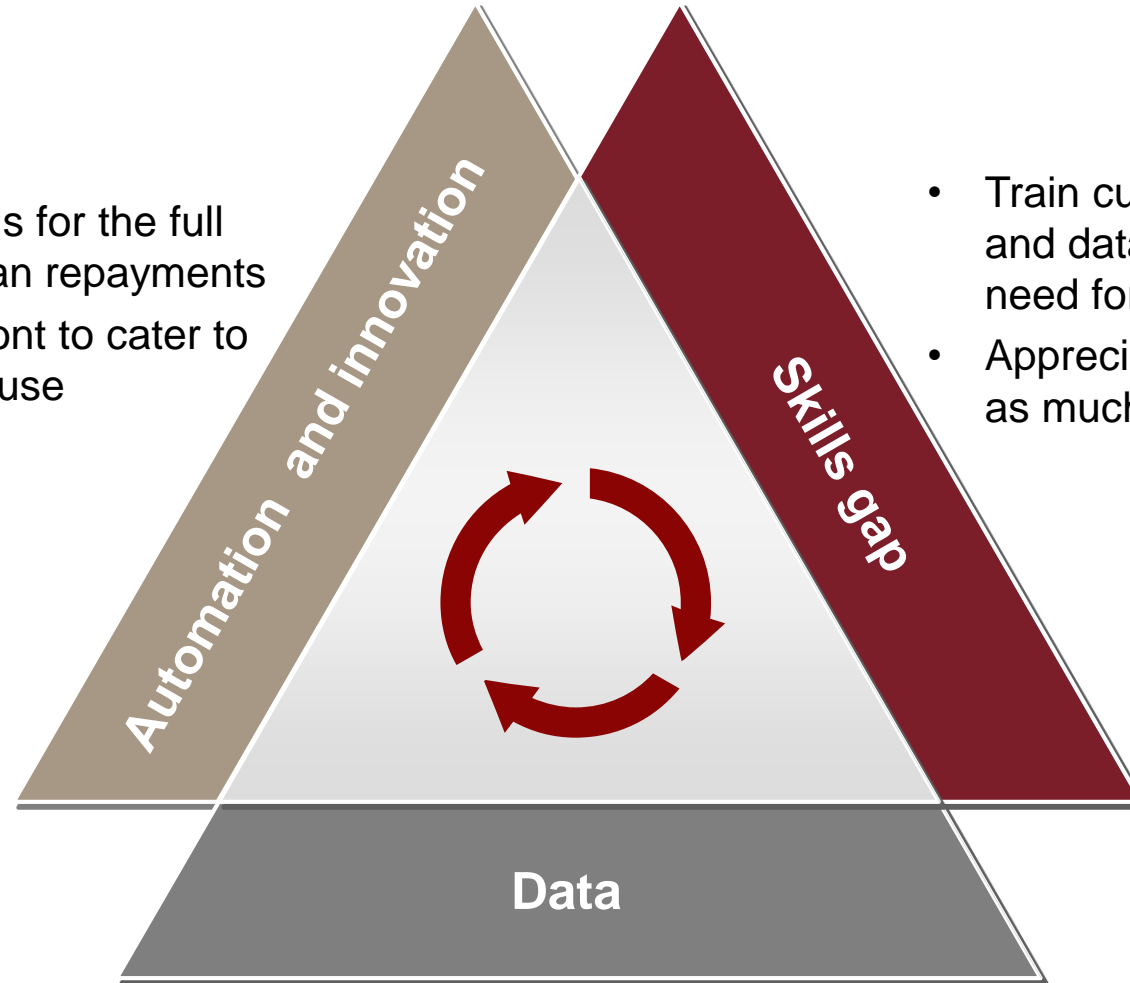
- With an aim to redefine consumer lending journeys and expand credit to the underserved, meaningful collaboration will be witnessed
- Collaboration will be across technology partners (bank statement analysis), fintechs (algo-based lending, property valuation), credit bureaus (credit scoring) among others

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Pointers for lenders to keep in mind

- Provide interactive tools for the full loan cycle including loan repayments
- Innovate on product front to cater to specific customer end use




- Train current employees on digital and data related skills which is the need for the day
- Appreciate that this is a social issue as much as a business one

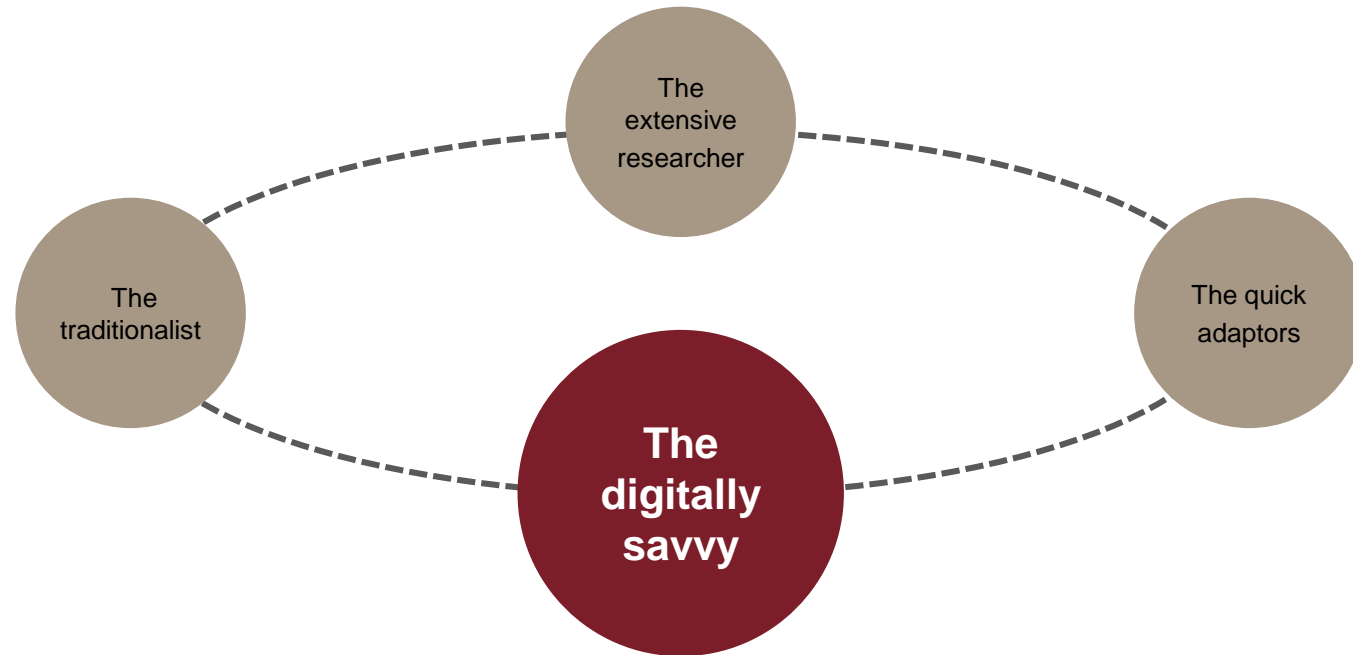
- Create a data mindset and demonstrate commitment from the top

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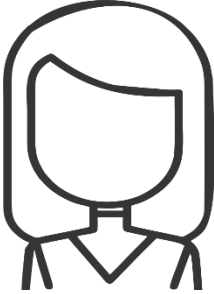
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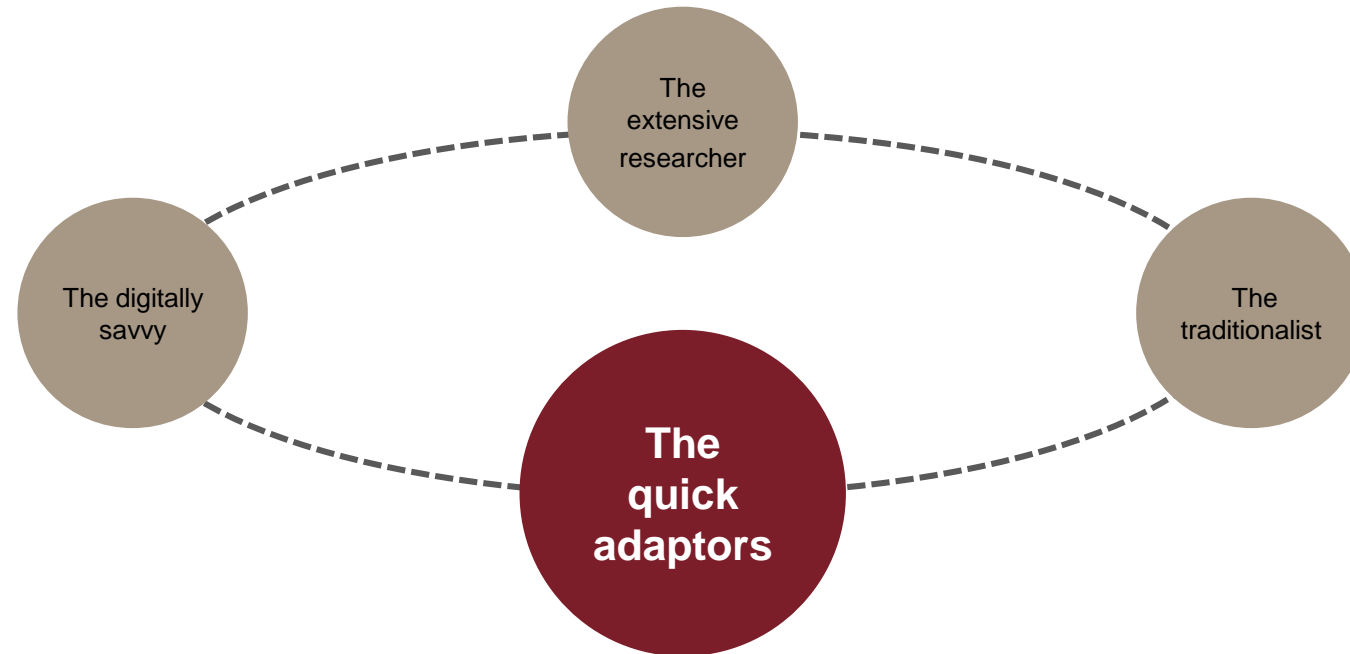
Online consumer types and respective success factors

Characteristics		Success factors
<ul style="list-style-type: none">• College going and manages life online via apps• Never set foot in a bank branch• Experimenting with UPI lately		<ul style="list-style-type: none">• Design innovative products to cater to their needs• Ideal customer segment to push for advocating brand on social media• <i>Conclusively</i>, here is a digitally literate customer, cater carefully to harvest the gains on rising income

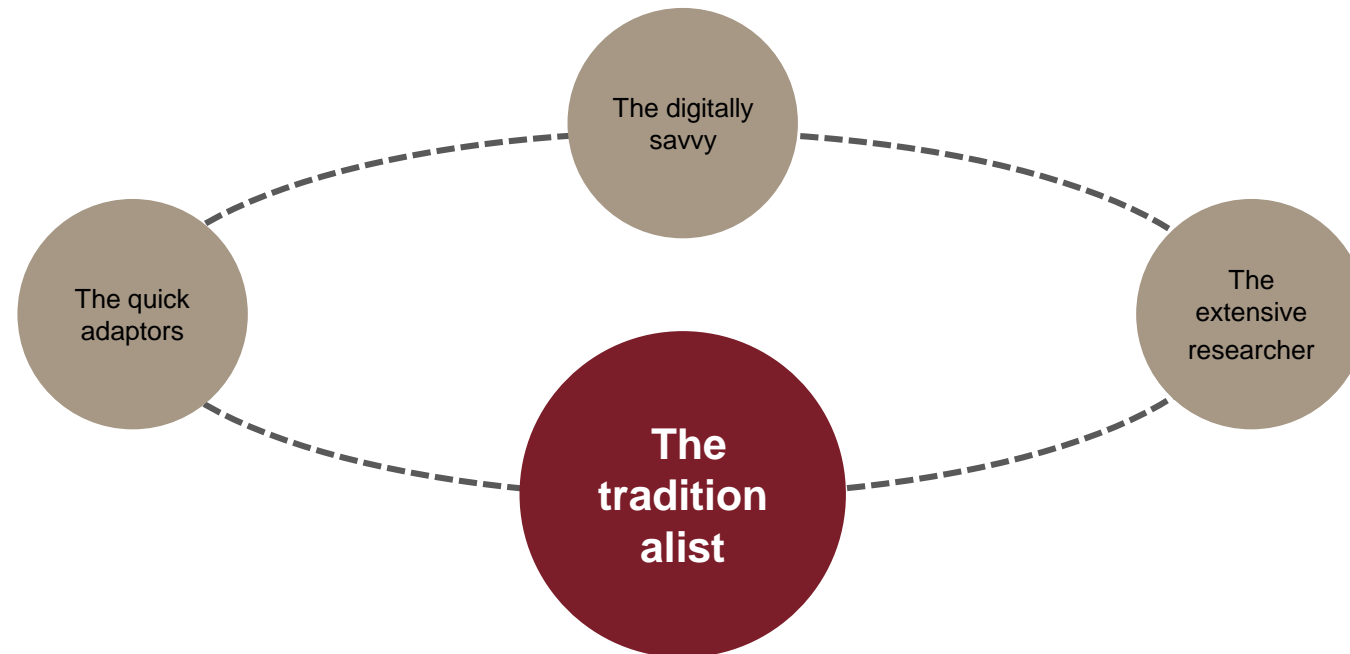


Online consumer types and respective success factors

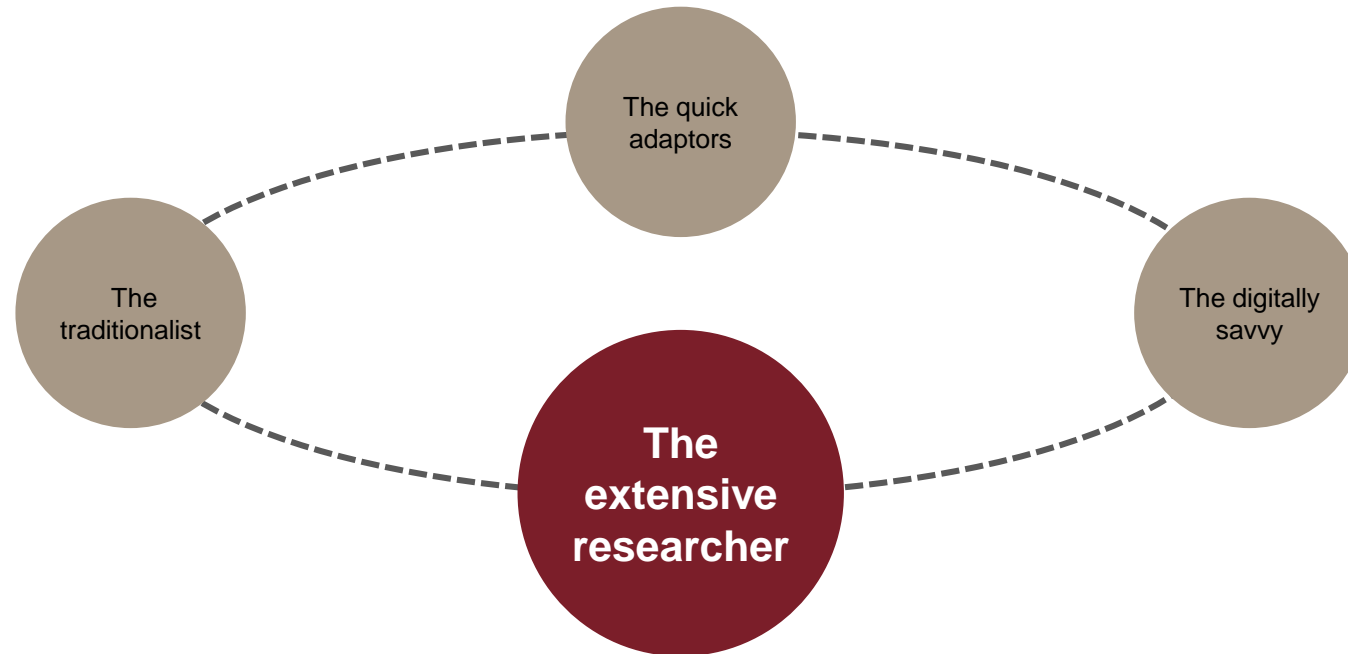
Characteristics		Success factors
<ul style="list-style-type: none">• Typically a millennial working professional• Orders grocery and cloths online• Day to day banking done online, but for loans she likes to speak to bank executive		<ul style="list-style-type: none">• Offer pre-approved loans on the click• For loans transition to chatbots for query resolutions• <i>Conclusively</i>, near-ideal customer requiring minor nudge for full digital experience



Online consumer types and respective success factors



Online consumer types and respective success factors



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Challenges to digitalisation

High levels of digital illiteracy

- The optimistic estimate of internet users by the end of 2017 was just 481 million. In other words, more than half of the population is still waiting to get basic access

Regulatory barriers to Innovations

- While RBI has been proactive in developing new regulations still a lot needs to be done. The existing regulations are not designed to keep in pace with new fintech products coming in.

Lack of digital services in local language

- India has 1,600 languages and dialects. Non availability of digital services in local languages is a great barrier in digital literacy.



Internet connectivity in remote areas

- It is a mammoth task to have connectivity in each and every village , town and city. Connecting 2.5 lakh gram panchayats through national optical fibre and ensuring broadband is fixed and functional is not an easy task

Data security

- Fear of cyber crime and breach of privacy has been deterrent in adoption of digital technologies

Digitalisation of collateral records

- With land records and vehicle registration yet to be fully digitalized, secured lending faces a last leg automation gap pending to be addressed without which instant disbursal cannot be achieved

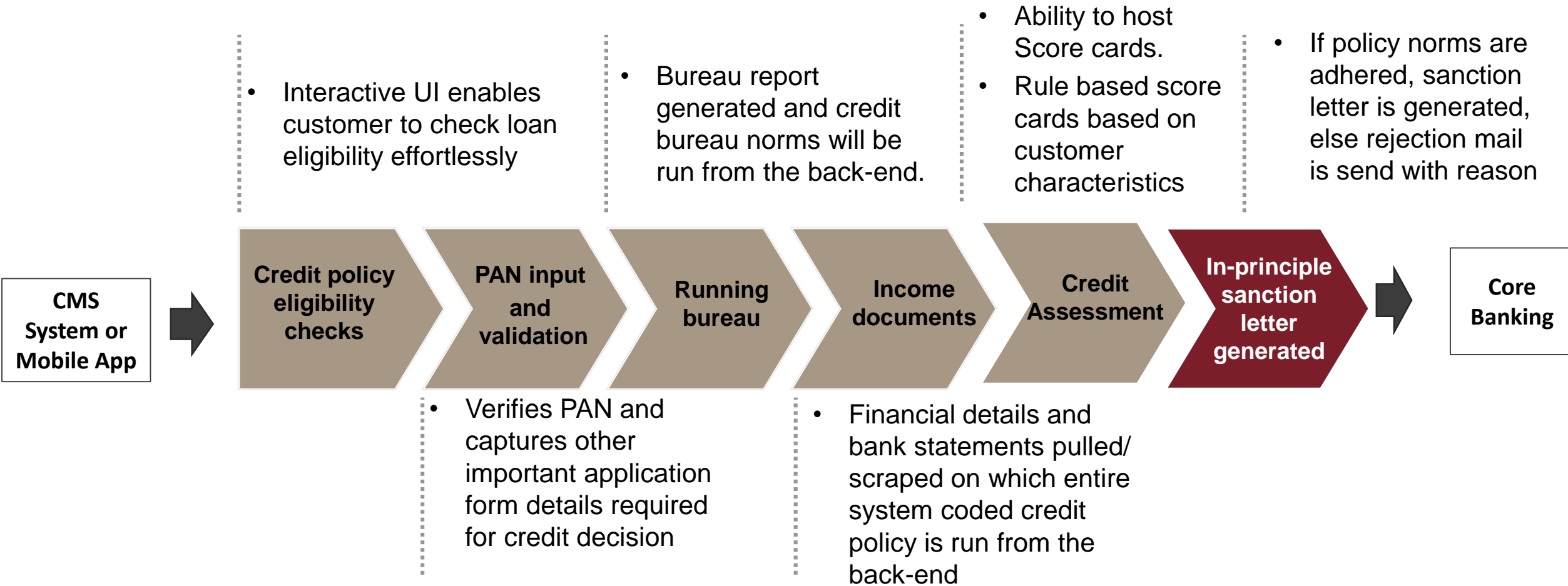
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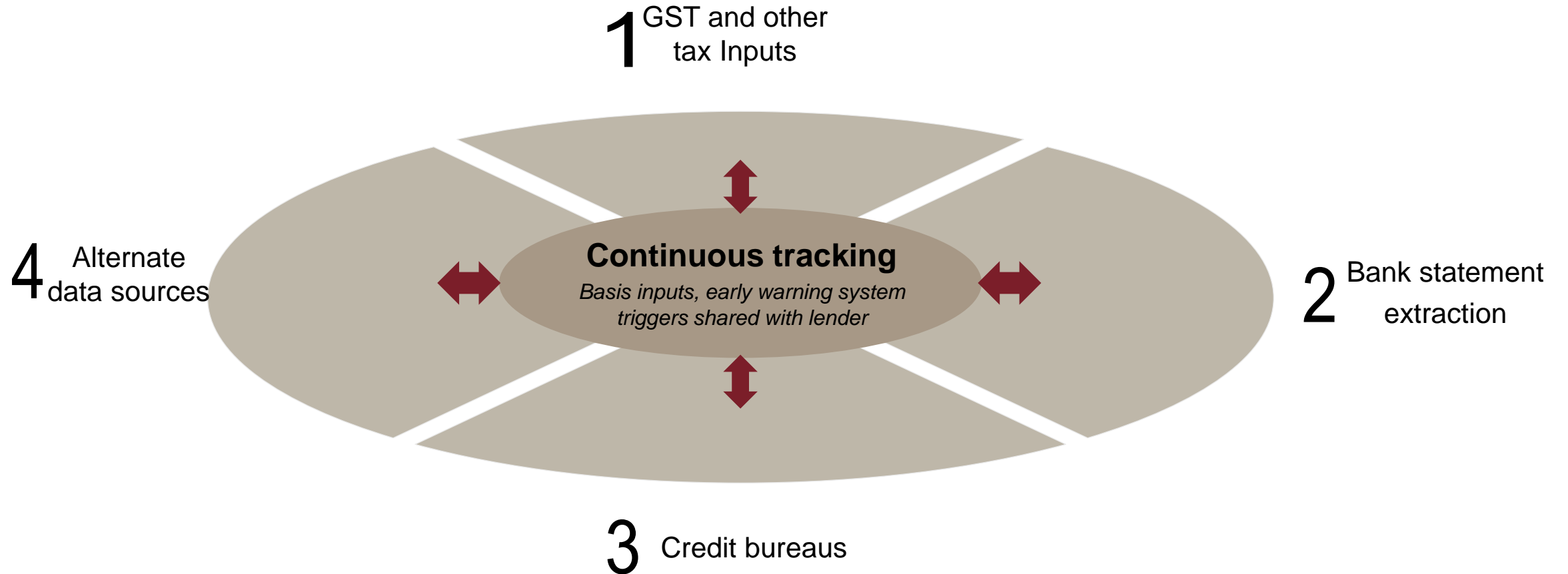
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 - Process Overview
 - Case study

Process overview – Pre-disbursement (1/2)



Process overview – post-disbursal monitoring (2/2)



Case study on digitalisation of loans (1/4)

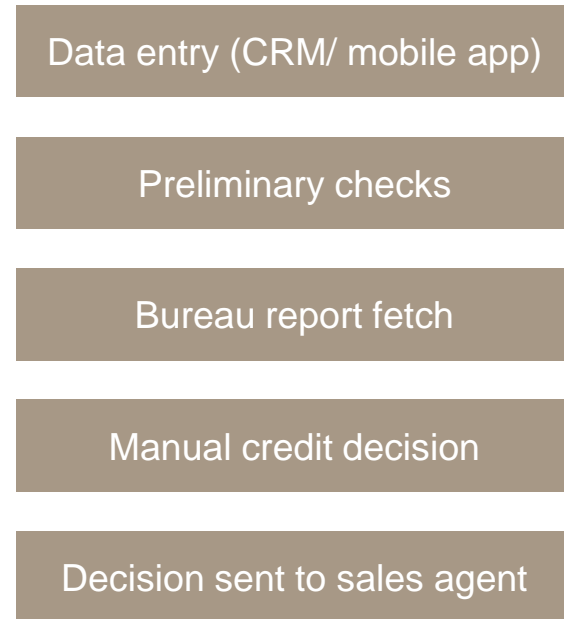
Objective

- **Provide an instant pre-approval and credit decisioning on select products (credit cards, personal loans, national loans and auto loans) to the sales agent without any manual intervention from the credit officer.**
- **When the sales agents enter data and send the initial set of information forward in customer relationship management (CRM) platform or a mobile app, the engine will access the request to:**
- **Pre-bureau check: Filter applications based on**
 - Bank policies
 - Internal customer performance (for existing customers)
- **Bureau check**
 - Perform the AECB bureau call (A2A) if no recent record
 - De-code and store the bureau response in an analytical bureau data mart
- **Post-bureau check**
 - Compute the application score
 - Calculate the limit of the loan based on various scores and bank policies
 - Provide an instant decision

Case study on digitalisation of loans (2/4)

Comparison

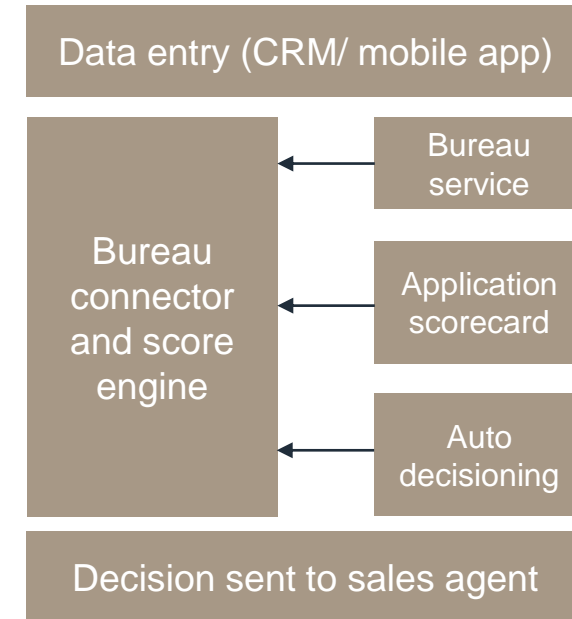
Current process



Disadvantages

- Credit officer manual intervention
- Complicated bank policies
- Possibility of human error
- Approximately 10-20 minutes per application
- Multiple bureau downloads for same customer

Improved process

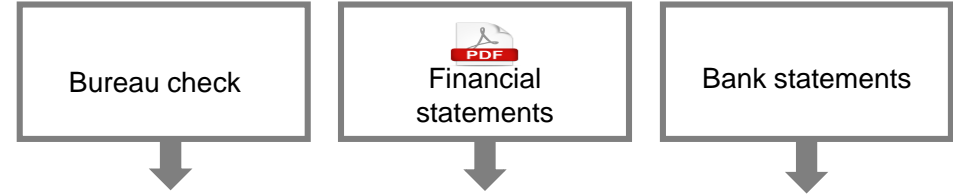


Advantages

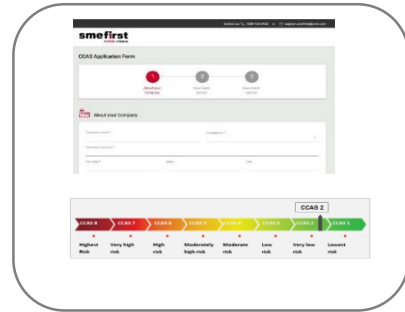
- No human intervention
- Integration of application scorecard
- Instant decisioning
- No duplicate bureau checks

Case study on digitalisation of loans (4/4)

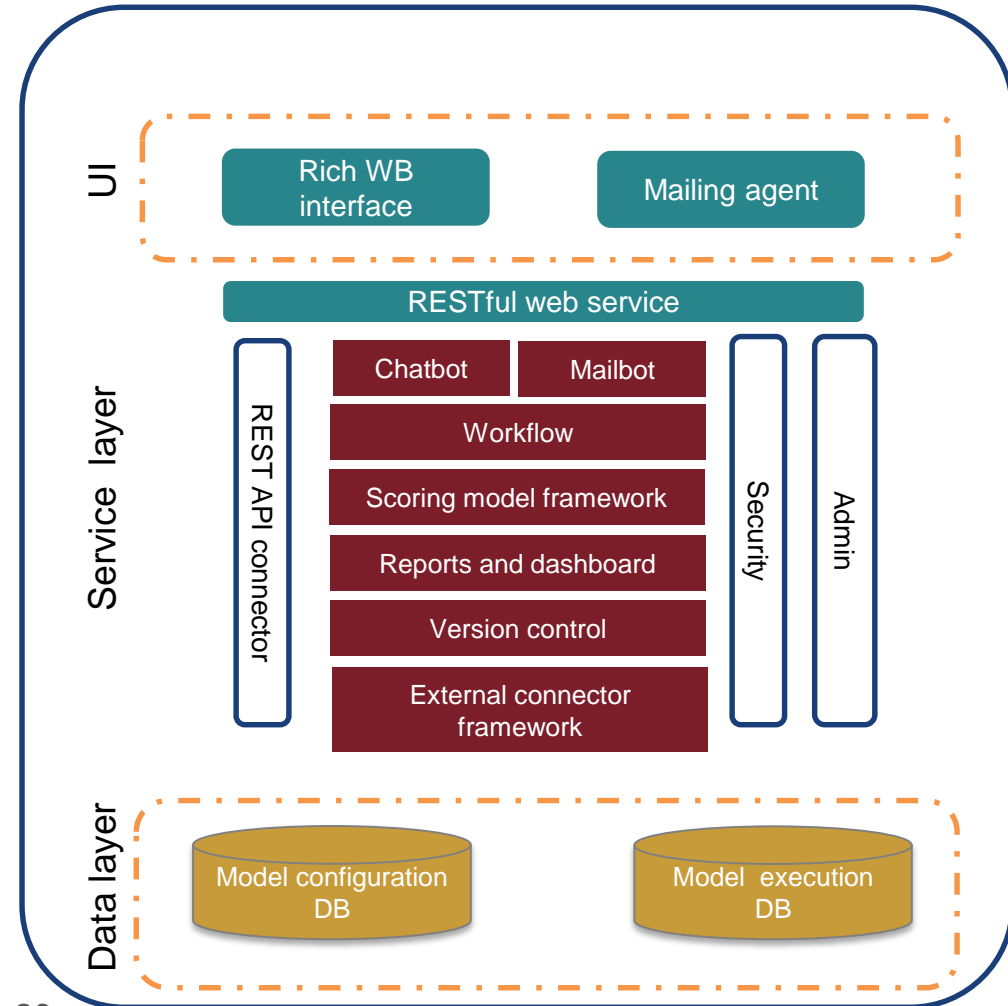
Process flow for corporate loans



Web application



Rest API



Thank you

Send in your queries to:

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