

# DIGITAL PROCESS AUTOMATION IN MICROFINANCE SECTOR

*As per Forrester's recent research, of the 30 digital lenders in India analysed, 18 distribute loans via banks or nonbanking financial companies (NBFCs); five are licensed NBFCs; and seven use a combination of their own loans and those of a partner institution. Digital lenders underwriting loans on their own books are looking to acquire NBFC licenses.*

## DIGITAL LENDING IS GATHERING PACE

Digital consumer lending is the practice of lending money to consumers primarily or entirely through online and mobile touchpoints. Digital consumer lenders have grown quickly by attracting borrowers looking for better rates than they can find at banks.

## HOW CAN DIGITAL CONSUMER LENDERS HELP

- Digital Consumer Lenders help Digitally savvy Consumers borrow at a lower cost.
- By using alternative sources of data, continuously honing underwriting algorithms, and using digital technologies to keep overheads low, digital consumer lenders can often offer better rates to borrowers than traditional lenders.
- Digital Lending needs a well thought out Digital Strategy and a robust stack of flexible technologies.

## TECHNOLOGY CHALLENGES

To bypass the constraints of legacy systems, digital teams often develop bespoke solutions where they build and test prototypes. Majority of the lenders face the following challenges in building custom applications for loan processing, underwriting and disbursals-

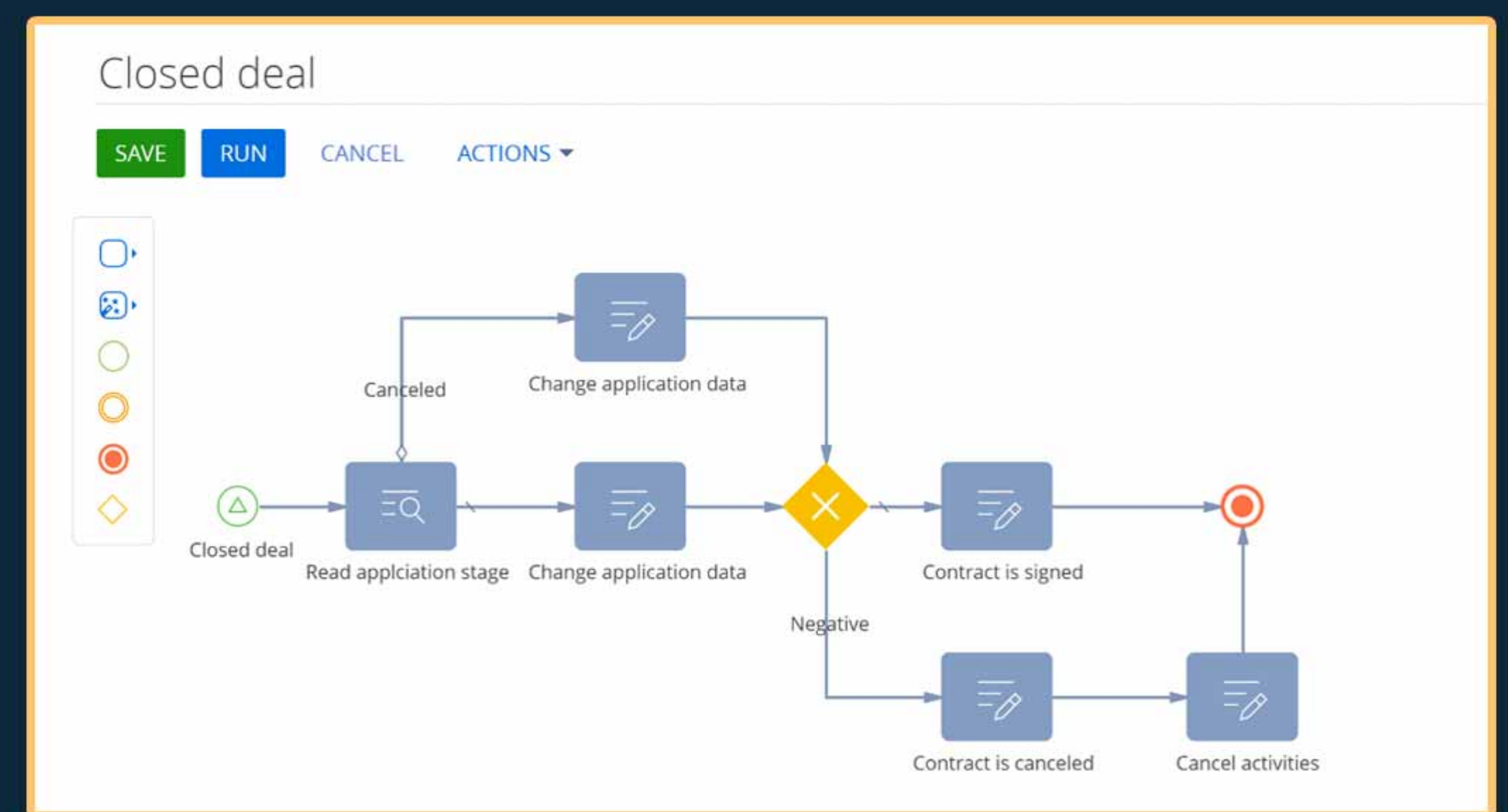
- ✦ The timelines for developing a custom bespoke solution is time consuming. Bigger projects could take a year or two, during which funds would be exhausted.
- ✦ Integrating [the solution] with the core systems is a big challenge.
- ✦ Frequently making process changes and customizations in the solution is difficult due to high dependency on coding and testing.
- ✦ Work often stops at the front end or doesn't progress beyond a proof of concept (POC).
- ✦ Separating testers, developers, and operations can result in wasteful handovers



# ADVANTAGES OF BUILDING THE SOLUTION ON A DIGITAL PROCESS AUTOMATION (DPA) PLATFORM

## Build Loan origination and underwriting process by using "Low-code/No-code" technology

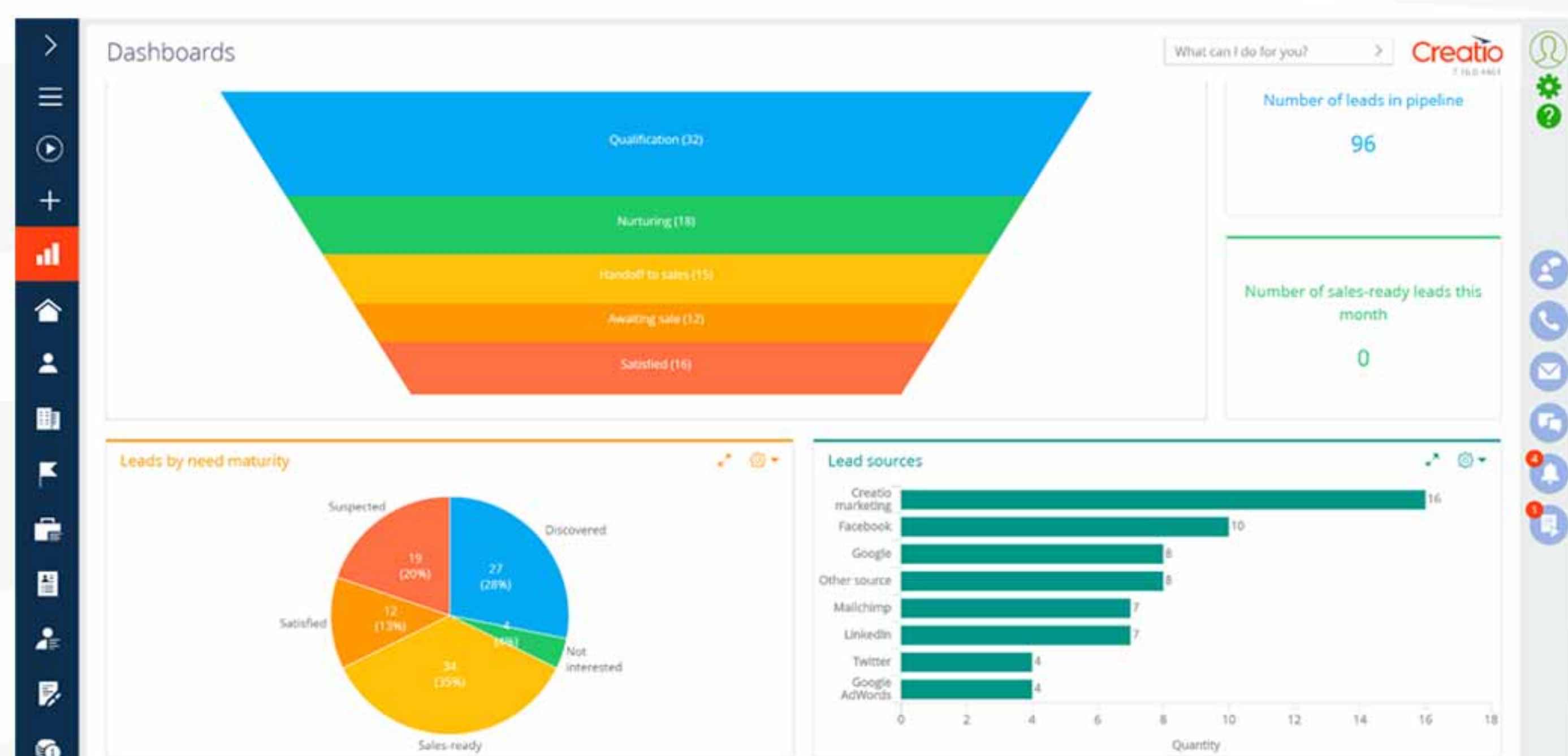
Digital lenders can use low-code/no-code technology platforms which provide drag and drop tools to create any new process within minutes. No need of setting up databases or creating custom rules and algorithms for data processing. Use in-built business process engine to build workflows.



## Faster time to market and realtime Analytics

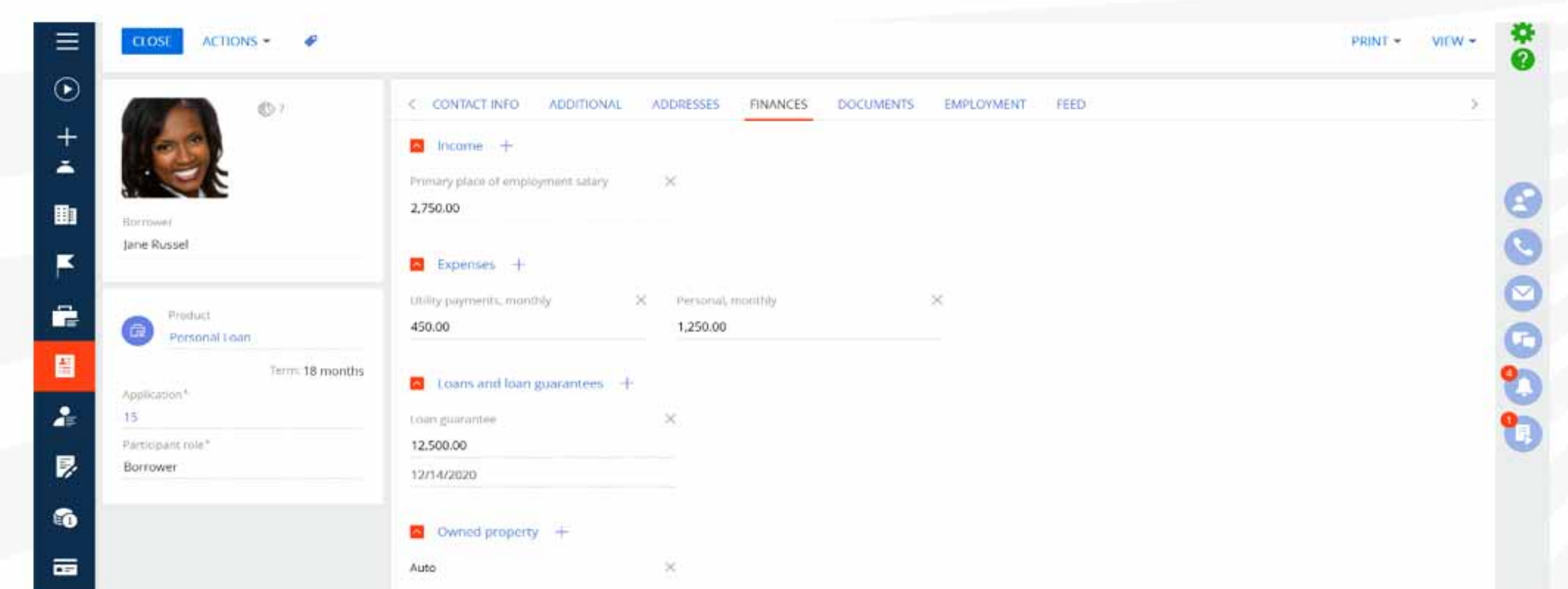
Make process improvements on the fly as you learn along the way. Introduce new digital products and quickly gather data about marketing, disbursement, applications and current pipeline.

### Leverage the concept of "Citizen Developer".



## Provide fast, digital origination and underwriting of consumer loans

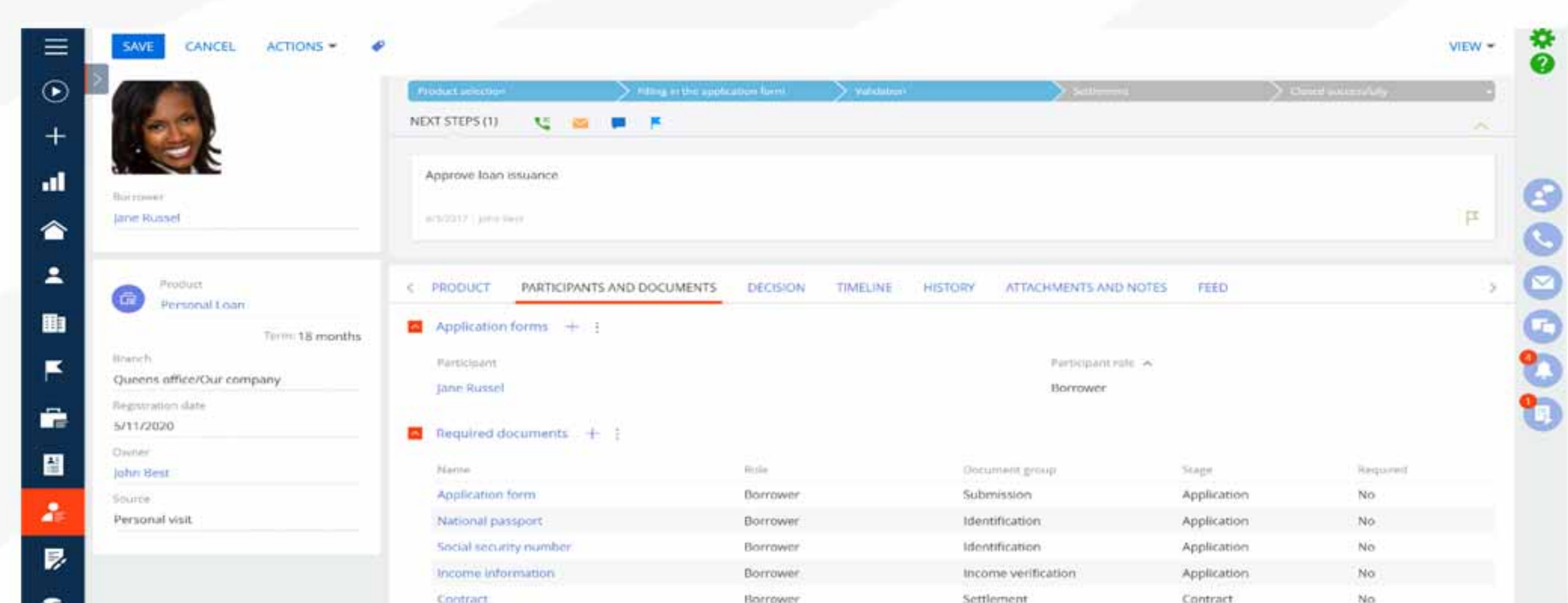
Use alternative data, automated underwriting, and digital disbursement to serve consumers shunned by traditional lenders. Leverage the borrower "360 degree view" and use borrowers' contact lists, electricity bills, social media behaviors, and online transactions to create accurate risk profiles and make more informed lending decisions.



## Automate your Company specific Verification Process

Create simple and convenient check-list of necessary verification actions, like verification of specific documents, to set the appropriate role selection, configure the parallel and sequential versions of checks and actions that are performed when reviewing and approving the application.

### Let customers apply digitally, get approved within minutes, and receive the funds quickly.



## Manage Processes and extend loans digitally. No paper processes!

Digital lenders can provide fast access to funds without the cumbersome paper-based loan application and approval procedures. Digital Lenders establish a line of credit through digital interfaces: online, mobile, or in-store systems. Customers can only use digital touchpoints or a phone call to resolve an issue.

