Kinetic Lending

Banking Frontiers and Uncia Technologies, organized a roundtable discussion on **Kinetic Lending**' for an in-depth look at perspectives like scalability, agility, regulation, AI, etc. The participants were divided into 5 groups to discuss 5 different key aspects. One leader from each table presented the highlights of the discussions in their respective roundtable. Edited excerpts:

SPEAKERS

Sangram Singh
Head – Products, U GRO Capital

Rohit Dube
IT, Piramal Capital

Vipin Rai
AVP – Products – IT, Axis Bank

Yatharth Bhuwalka
Director, KPMG

Nishant Karkala
Head – Credit, Muthoot Housing Finance

Group 1: Assured Regulatory Compliance in a Rapidly Changing Environment

Nishant Karkala:

- Participants in the table included Srijit from Edelweiss, Liza from Muthoot Housing, Milind from Muthoot Housing, Nikhil from Cent Bank Financial Services and Subramaniam from Uncia.
- Off late, regulatory compliance has become a burning topic, with numerous RBI penalties and restrictions. Earlier, this used to be quite a reputation risk for banks. Now management is getting more and more focused on compliance. Typically, the department will have 1 or 2 representatives under a compliance officer, but more and more people are needed to do the needful. As management attention increases, more investment in terms of people and infrastructure will happen.
- Technology will play a very important role. Also, business skills training would be required. Every bank has different interpretations, and in that comes the role of consultants. Another point is single approaches vs multi-pronged approach to dealing with compliance. A multi-pronged approach is more suitable for a bank or a finance financial Institution to meet its regulatory requirements.

Group 2: LMS - all eggs in one basket versus multiple baskets

Yatharth Bhuwalka:

- We have Keshav from Yes Bank, Neeloy from Tata Motors Finance, Rajesh from Axis Bank, Atul from IDFC First Bank and Sudheer from Bank of Baroda.
- Should we have one LMS or multiple LMS? It really depends on the size of the business, kinds of products being offered and the kind of environment. For example, a supply chain kind of a product and a retail loan in the same organization, has a merit of having two loan management systems, for one is a monthly/daily revolving kind of product whereas the other could be a term loan or a simple EMI based product.
- For large banks, it is difficult to do all their work in one particular LMS. So they would prefer having multiple LMS softwares. The main advantage is that a single LMS makes regulatory compliance easier. Having multiple LMS means having multiple tech spends, having different reporting tools, etc. Also, from the user perspective, you will need to conduct multiple trainings and you cannot move people around because they know one LMS.
- With a single LMS, you can move people from one function to another. The disadvantage of multiple LMS is managing multiple vendors, negotiating with each of them, having a larger IT team, etc. Essentially, you can have multiple LMS, but with a single experiential layer rather than different layers.

Group 3: Open Architecture

Vipin Rai:

- Earlier, basis volume of business, we designed our architecture and infra sizing. Nowadays, we are moving towards technology on need basis, where infra can go up and down. Now, we move as per requirement. If business wants to launch a product in 1-2 months and we are not moving basis this need, it's very tough for the company to be a market pioneer. So your architecture is very important

– if you have an open and configurable architecture, that will definitely support your business.

- Whenever you design any architecture or align with any technology for an LMS, think of supporting other internal and external systems, because in the future, you have to integrate with them. Now, fintechs are everywhere and are offering various utility solutions. So sometimes, instead of developing something in house, we can use ready-made solution from fintechs. For that, the inhouse technology should be collaborative and supportive to integrate with such solutions.
- Now-a-days, regulators ask for any kind of data, and they want access of your data. So creating a data lake and providing that as a common area will help you avoid unnecessary stress. Sometimes we see large number of IT people working on the regulatory requirement which definitely impacts timelines of business requirement. Also, for these governing bodies, we should provide the right structure for security.
- Technology should be wrapper on your business strategy. During covid, people were in a hurry to adopt the latest technology and at the end they are not able to justify the ROI. So better you define the right strategy and then wrap technology over that strategy.

A fireside chat: Manoj Agrawal engages with Hari Padmanabhan, Chairman, UNCIA, about his journey in the software industry, his insights, his purpose, the role of AI at the company, and more. Details in the next edition.

Group 4: AI/ML Driven Lending: Hype, Expectations & Reality

Rohit Dube:

- We have Arya from Uncia, Sirish from Piramal, Swapnil from Central Bank, Saumitra from Suryoday Bank, Vivek from IDBI, Rishi from SBI and Dinesh from Sameru Finance.
- Our topic was AI & ML. When it comes to choosing the right AI-ML, it's important to justify the total cost of ownership. Large companies where budget is not a constraint can look for an in-house built solution. Whereas a small or fintech or new financial services company where the budget is a major constraint, should look at outsourcing. When the data goes to public, the model should be unified across the services. Talking about the data quality, any AI driven model will work better the better data you have.
- AI-ML is not limited to lending or supporting services. In sum, AI-ML can be chosen in a wise manner so that we justify it and make use of right solution at right point of time to look at the future.

Group 5: Time as a Competitive Advantage

Sangram Singh:

- We had Yuvraj from Uncia, Atul from CSB Bank, Nilima from Cent Bank Financial, Prateek from Ambit and Vijay from Unity SFB.
- From a business perspective, what steps can help minimize time to implement systems, test new launches, vendor management, and today, co-lending, which is a hot topic.
- The core issue when you're trying to minimize testing or deployment of a new system is that the first step - which is the requirement gathering step - normally isn't done well.

Every time people are sitting in the room, they will debate on what the customer wants and what we should do to deploy that solution. Good feedback is not coming from the market. Eventually it's a cascading effect because once the requirement gathering is not done well, then effectively the other pieces of the puzzle translate into a very poor development. The primary way is to actually do a very thorough job in requirement gathering. That is the first step. The second thing is that normally people don't have thorough BRDS made or FSDS finally signed off.

- Today what helps is there is a lot of technology with startups and fintechs. Earlier, the system used to come in a box where everything was hard coded. Today you have systems which have microservices - if you're not happy with one microservice, you can replace it with something else. Also, there are no-code and low-code solutions. Also, there is a way of doing automated testing. All these will help build a very good and robust system that is stable enough to handle the kind of volumes that you would expect from growth, and it's flexible enough to change every time technology evolves.

On co-lending, we now have aggregators and platforms. So, you do not have to build every solution inhouse. So, the idea of outsourcing the technology or finding the best fitment or a platform which is readily available is probably a good way to actually quickly deploy something, because business needs systems as of yesterday. On the point of automation versus manual processes, it's okay for some things to be manual. It really depends on the criticality of the process or function being automated. If it is regulatory in nature, then definitely go for automation. If it is in-house reporting, Excel can be an option. To scale it may not the most viable option.

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