

# The Effective Use of Technology in Lending



## Banking & Payment Technologies East Africa

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Cards • Mobile • Microfinance • Software

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Kenyatta International Conference Centre,  
Nairobi**

### **SESSION 2: TOOLS FOR EFFECTIVE MANAGEMENT**

**17 February 2009**

**Rajiv Thakur**

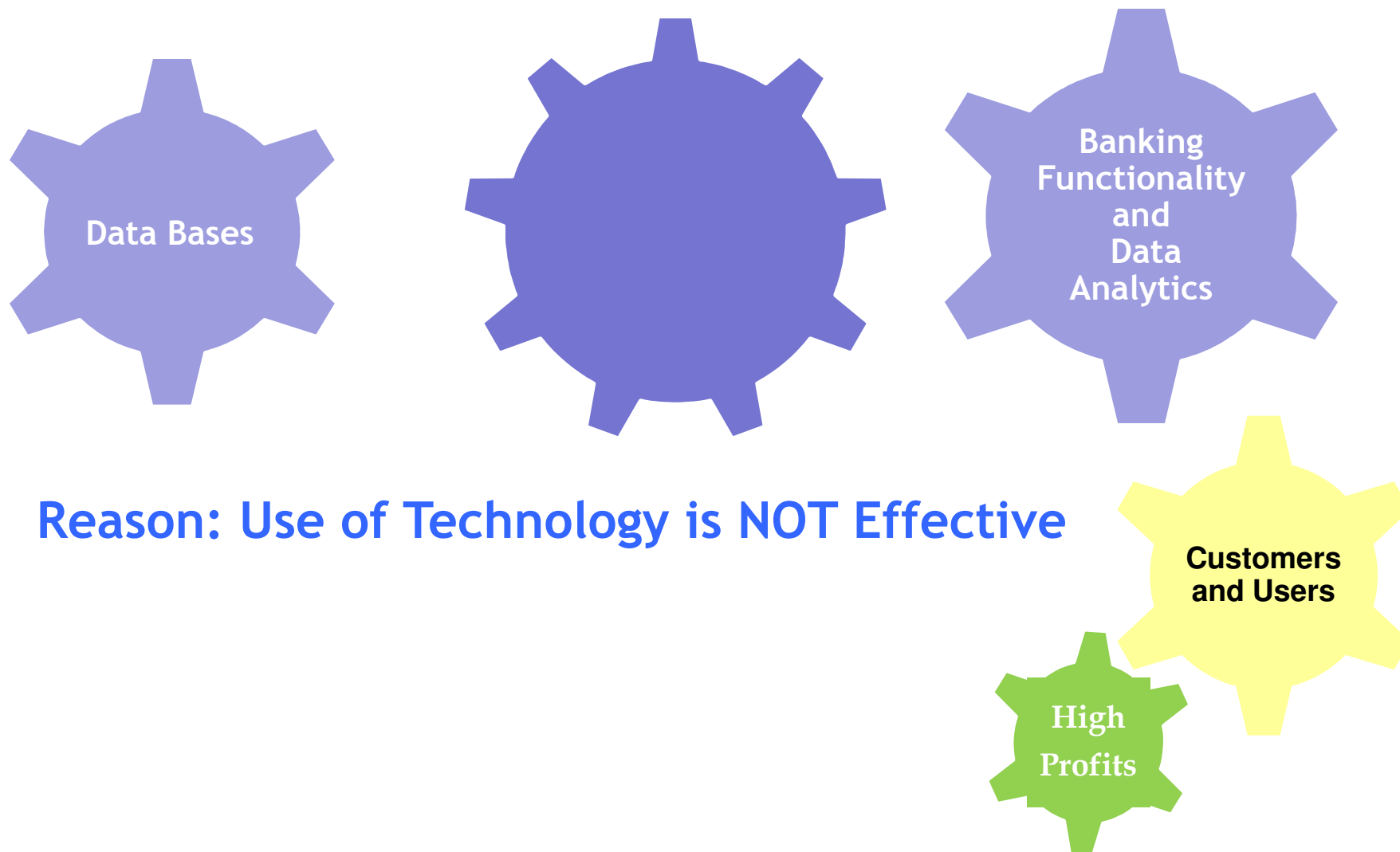
Global Solutions Architect  
Product Management Group  
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Partners:



## Effective Use of Technology in Lending

Most of us in lending have experienced this situation



Reason: Use of Technology is NOT Effective

# Effective Use of Technology in Lending

## Agenda

### ANALYSIS

1. ► Segmenting the Lending Space  
(Retail, SME, Corporate)
  - Lending is a specialized activity
  - Shifting Technology Orientation
2. Effectiveness:  
*Meeting Stakeholders Expectations*
3. Technology Advantage Quantified:  
*Examples*
4. Areas for Effective use of Technology:  
*Retail and Corporate Lending*

### SOLUTION

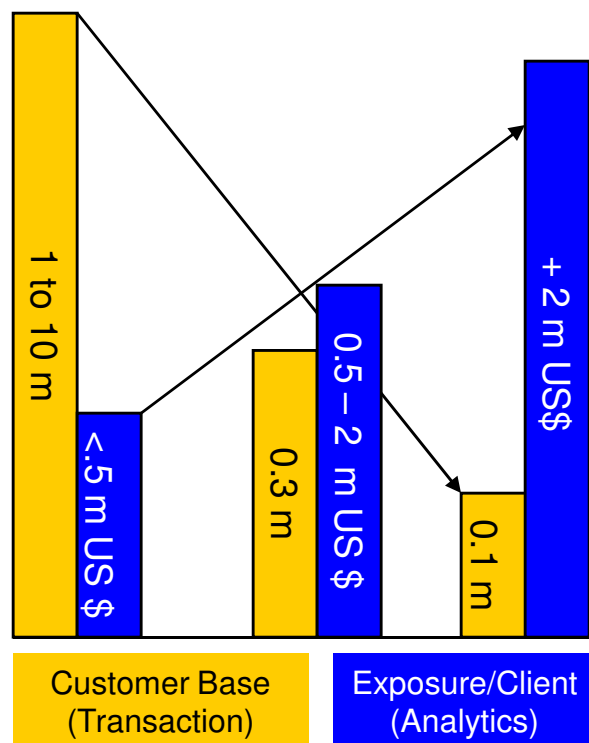
5. Framework for the Effective Use  
of Technology: *The Dimensional Approach*
6. Conclusion

( 7 slides, 20 minutes)

Close

# The Lending Space and Technology Orientation

## Segmentation:



Retail



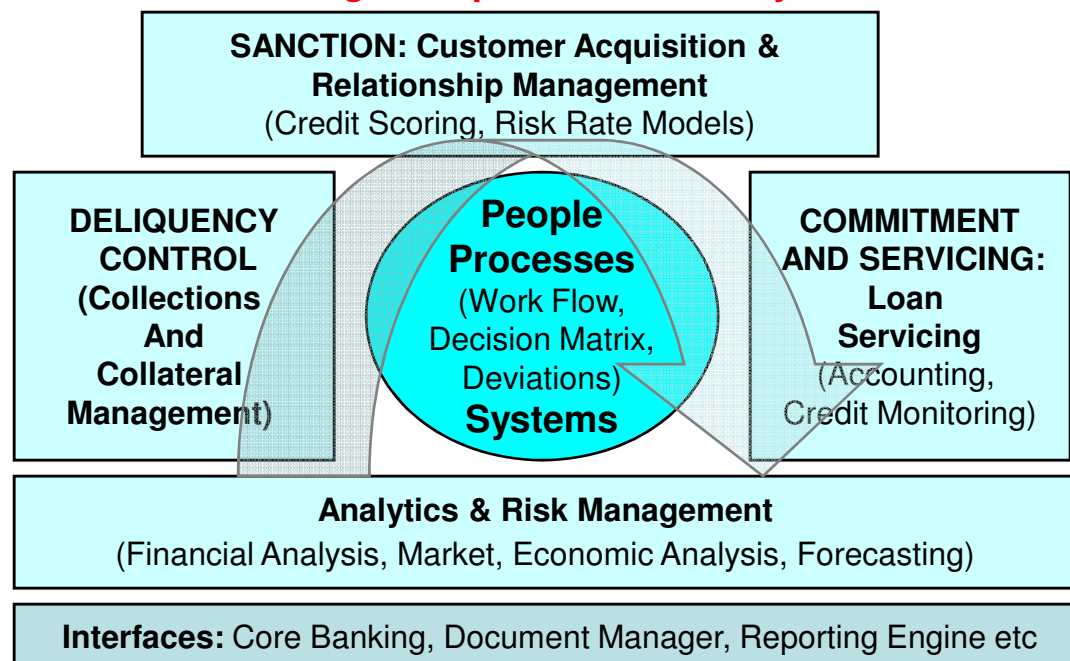
SME



Corporate



## Lending is a Specialized Activity:



## Shifting Technology Orientation:

Technology Needs are same in Retail , SME , Corporate Lending for:

- Interfacing (Credit Bureau; Market Indices, Core Banking)
- Document Management
- Reporting Tools

# Increasing and Shifting Expectations of Stakeholders

## Prime or Subprime, Growth or Recession, Expectations Shift but only Increase!!

### Bank

Growth, Yields, Quality, Profits , Risk Management	ROI, RONW	Customer and User Delight
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### Customers

Multiple Channels (Branch, ATM, Internet, Mobile)	Accuracy and Speed	Single Window, Customer Care
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### Management

Systems should be Integrated, Secured, Robust	High Functionality	Improved Productivity
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### Users

Ease of Use	Versatile	Capable of Analytics
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### Shift in Preference of Lending Products in Today's Business Environment

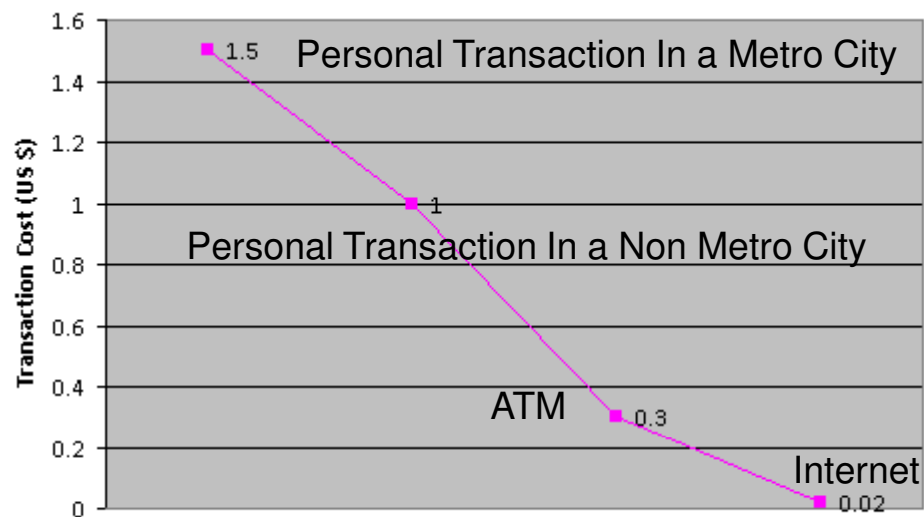


Effective Technology in a framework of Great Expectations and Different /Shifting Requirements is a Challenge!!

Customer Acquisition System	↓
Loan Management	↔
Collections	↑
Collateral Management	↑
Integration Needs	↑
Risk & Regulatory Management	↑
Aid in Decision Making	↑

# Technology Advantage Quantified: Examples

## 1. Cost Advantage/ Transaction



Source: Nucleus Software

**3. Banks Discourage Desktop applications and want System driven applications**

## 2. Automation in Japan

Number of Branches and Channels	2008.9	2008.12
Branches	1,139	1,140
Manned Branches for Unsecured Personal Loans (UPL)	42	42
Unmanned Branches for Unsecured Personal Loans (UPL)	1,089	1,090
Mortgage Service Plaza	8	8

Source: Shinsei Bank

## Areas for Effective Use of Technology

**Banking Need drives Technology. It cannot be the other way around.**

Area	Retail Lending	SME/Corporate Lending
Share and Integrate Data	Interfaces: Credit Bureau, Dealers, Vendors, Field investigators, Core Banking	Interfaces: Information Sources- Competitors, Industry, Macro economy, Indexes, Core Banking
Financial Statements		<ul style="list-style-type: none"> <li>■ Upload and Analyze various formats/form of Financial Statements</li> <li>■ Advanced Mathematical Computations like Economic Analysis and Projections</li> </ul>
Low Duplication of Work, Data and Automated Negative Data Check	- Dedupe Engines	
Documentation Storage, Retrieval and Management	- Fast and Easy. Good Interfaces with Specialized Products	
Tools for Effective Portfolio Management	- Analytics for Risk Management differ	
Analytics to help in Decision Making	- Example: Forecasting Delinquencies (Regression, Decision trees)	
Credit Scoring and Risk Rating Models	- Dynamic and Customizable Rule and Policy Builder	
Deviation, Approval Matrix and Workflows	- Customizable	
360 Degree View and Reporting	- Different Graphical and Visualization aids	

# Framework for the effective use of technology: The Dimensional Approach

ANALYSIS    MAPPING    STRATEGY    IMPLEMENTATION

**ANALYZE** your Lending Modules/ IT system on the 3 dimensions of:

- a) Banking Functionality and Data Analytics
- b) Technology: Integration Among Systems
- c) Data Marts and Data Bases

(on a 10 point scale)

**Common Approach**

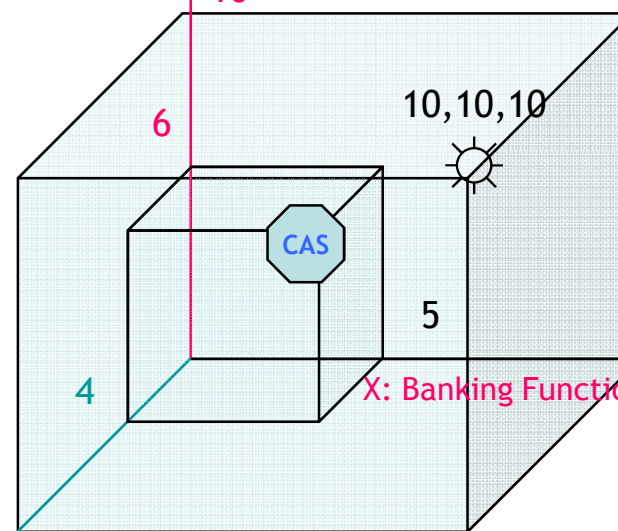
**Unique Solutions**

Y: Technology: Integration Among Systems

- Across
- Products/Modules
  - Architecture and Platforms
  - Databases and Software

- Banking Functionality**
- Transaction / Analytics
  - Expectations
  - Aid in Business Decision

- Data Analytics**
- Classical Analysis  
Computational Algorithms  
Statistical Analysis
- Descriptive
  - Inferential
  - Predictive Simulations



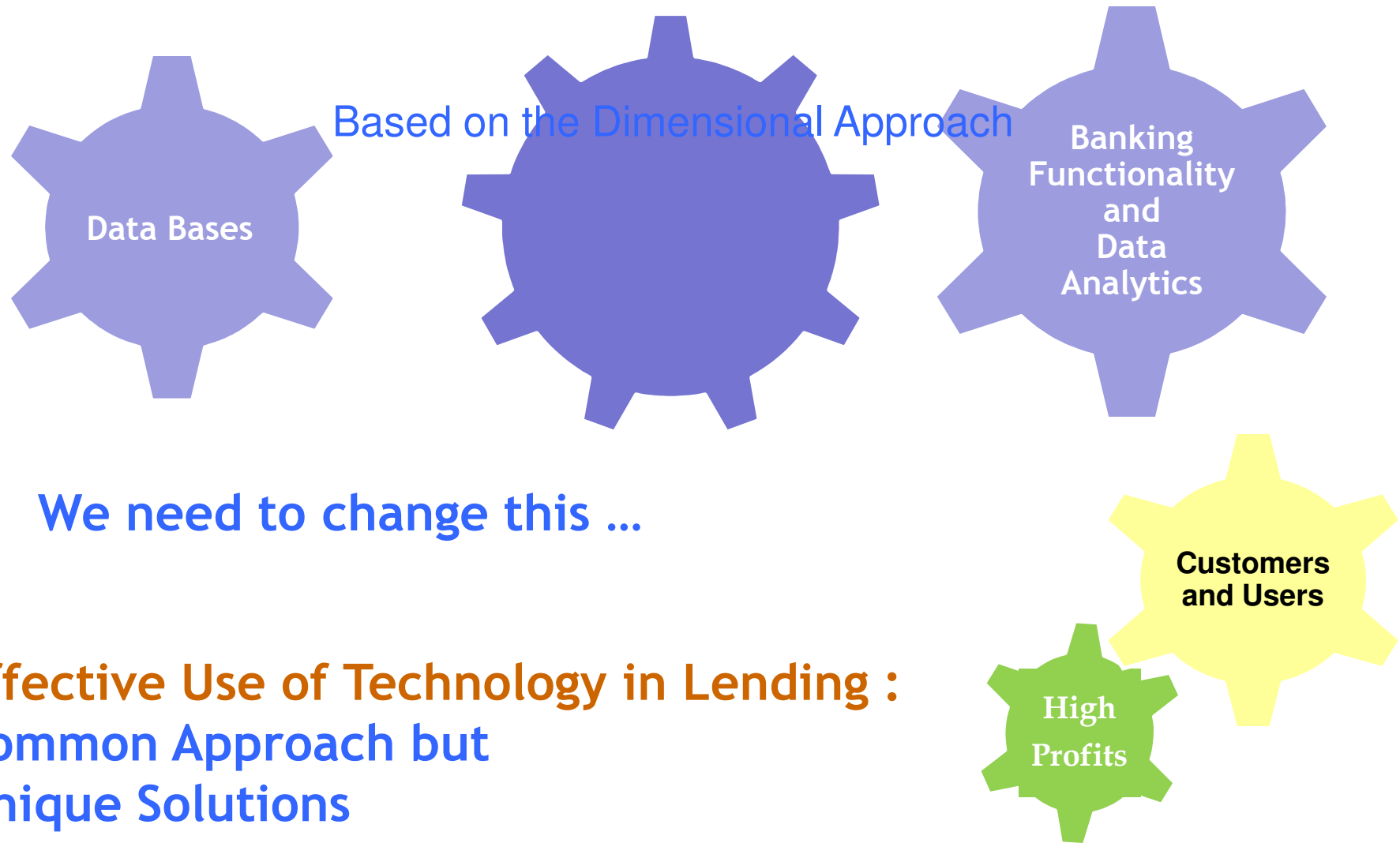
X: Banking Functionality & Data Analytics

Z: Data Marts and Data Bases

- Internal Databases
- External Data Sourcing
- Data Handling
- Data Marts
- XML

## Conclusion:

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We need to change this ...

**Effective Use of Technology in Lending :**  
**Common Approach but**  
**Unique Solutions**

Thank you for your kind attention