IS YOUR LENDING BUSINESS FUTURE-PROOF?

Adapting to the digital age with a scalable lending platform for speed and flexibility
CONTENTS

Transforming the loan origination journey ................................................. 4

Unlocking Value .................................................................................... 8

Digital lending platform for the future: Key considerations ......................... 11
With competition from online lenders and web aggregators offering near instant loans, retail banks and non-bank financial companies (NBFCs) are focusing on digital experiences that will make lending easy and more accessible.

Staying relevant in this digital age is critical as the risk of losing ground is high: Accenture’s Global Consumer Pulse Research indicates that over 58 percent of the retail customers purchase financial products online through the company’s website or a third-party online service provider. Sixty percent of the customers leverage digital channels like portals, text and voice chat for post purchase self-service. Additionally, 15 percent use tele-helpdesks and IVR for addressing their servicing needs.

The concern of lagging behind online lenders is palpable. In a study conducted by Accenture and Oxford Economics in 2018, 67 percent of banking executives said that they believe that in five years consumers will do most of their saving, investing, and borrowing through non-finance platform companies like Amazon.com, Inc. and Google LLC. And over half of customer interactions will be handled by virtual assistants. So, lagging behind on technology is not an option.

The adoption of a flexible and scalable platform and a decoupled technology architecture could result in raising loan volumes by 15 to 20 percent while reducing operational costs by 20 percent.

To survive and thrive, banks and NBFCs need to make and sustain customer-centric digital experiences at scale and speed. Over the last few years, online and retail banks, fintech companies and NBFCs are stepping up investments, especially in AI, Blockchain and Cloud-based technologies. Their focus is on creating the seamlessness and ease of e-commerce with new age UX and intelligent applications allowing for ‘no-touch’ decisioning and disbursement (Figure 1).

This report examines how banks and NBFCs can unlock considerable value by aligning lending processes to the new digital paradigm. Our experience with global banks has shown that the adoption of a flexible and scalable platform and a decoupled technology architecture could result in raising loan volumes by 15 to 20 percent while reducing operational costs by 20 percent.
Figure 1: The rising adoption of new technologies by retail banks

<table>
<thead>
<tr>
<th>Technology</th>
<th>Investing today</th>
<th>Plan to invest in three</th>
</tr>
</thead>
<tbody>
<tr>
<td>AI-based technologies to improve operational processes</td>
<td>23%</td>
<td>43%</td>
</tr>
<tr>
<td>Cloud-based technologies to improve operational efficiency</td>
<td>27%</td>
<td>23%</td>
</tr>
<tr>
<td>Customer-facing blockchain</td>
<td>13%</td>
<td>47%</td>
</tr>
<tr>
<td>Cloud-based technologies to generate business value</td>
<td>13%</td>
<td>47%</td>
</tr>
<tr>
<td>Data analytics</td>
<td>23%</td>
<td></td>
</tr>
<tr>
<td>AI-based technologies to improve client facing processes</td>
<td>17%</td>
<td>43%</td>
</tr>
<tr>
<td>Internal blockchain applications</td>
<td>17%</td>
<td>33%</td>
</tr>
<tr>
<td>Agile Development</td>
<td>13%</td>
<td>30%</td>
</tr>
<tr>
<td>We are not investing or planning to invest any of these technologies</td>
<td>7%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: Accenture and Oxford Economics Report: Get Comfortable Outside Your Comfort zone, 2018
https://www.accenture.com/_acnmedia/PDF-92/Accenture-Retail-Banks-Well-prepared-for-Digital-Innovation.pdf#zoom=50

Transforming the loan origination journey

Traditionally, onboarding a borrower has been a complex process especially for collateralised loans. It involves lead management, application, documentation, underwriting, fraud checks, legal checks, valuation, decision, disbursement documentation before the final loan disbursement. The opportunities to disrupt this journey exist not only at each stage of the loan origination journey but also from the time the customer begins to think about the need for a loan. And from then on to lead management and customer relationship management after the final disbursement (Figure 2). Recognizing this potential for customer capture, fintechs were the first to pivot to digital onboarding followed by other financial services players.
**Figure 2:** Focus areas for lenders embarking on the lending journey

<table>
<thead>
<tr>
<th>APPLY LOAN</th>
<th>DATA CAPTURE</th>
<th>ONBOARDING</th>
<th>ACCEPT OFFER</th>
<th>UNDERWRITING</th>
<th>VERIFY AND RECEIVE MONEY</th>
<th>MANAGE RELATIONSHIP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chat based application document submission queries and clarification</td>
<td>OCR and Open API to increase digitization at source</td>
<td>Proxy income and alternate data underwriting models</td>
<td>Digitized confirmation process to onboard new customer</td>
<td>AI driven self service and post disbursement documentation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nudges to Sales for ensuring minimal drop-offs</td>
<td>Digital verification for proof of customer (KYC, Income, repayment capability)</td>
<td>Approval in principle for customers with limited data</td>
<td>Counter offer</td>
<td>Analytics for cross sell and upsell of banking products</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Yes But: Higher rate, lower sanction Amt</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>No But: Ask for additional information</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leverage Open APIs for seamless application</td>
<td>Digital Signal to Sales for Zero Moment of Truth targeting</td>
<td>Continuous learning enabled models based on segment, geography and product</td>
<td>Instant disbursement into customer’s account</td>
<td>Proxy and external data for account audit</td>
<td>Analytics for account health or NPA projections</td>
<td></td>
</tr>
</tbody>
</table>

**SOLICIT:**

This stage takes its cue from the digital footprints or signals inadvertently left behind by customers as they search for information online. Lenders can trace these digital signals or footprints to propose lending products and services even before the financial considerations have been evaluated by the borrower. We call this Zero Moment of Truth (ZMOT) marketing. For example, when comparing prices of cars online, a potential customer leaves behind digital signals that could be interpreted as an inclination towards a new vehicle purchase.
Imagine the potential for generating leads through a pop up that appears offering a car loan in three clicks as soon as the consumer shortlists cars. The strategy of early customer capture through ‘digital signal to sales’ journey can lead to significantly higher conversions as lenders get the opportunity to participate early on in the buying cycle. This kind of targeted marketing also leverages the data captured through various social media and ecommerce channels.

**Accenture has implemented its Digital Signal to Sales (DS2S) tool for its banking clients in North America and APAC. DS2S is helping clients capture consumer digital footprints for Zero Moment of Truth sales for retail banking products. The banks are able to generate millions of curated leads at a fraction of their marketing costs.**

**PROPOSE:**
The lending application process at this stage involves seamless customer interactions across channels—from identical mobile first to other digital interfaces. An API-based digital data ecosystem forms the core of this omnichannel experience. Lenders can tap into internal and external customer information for digitising and speeding up the application and verification process. Digital and verified data is the key to getting rid of the need for documentation proofs and building a ‘no touch’ fulfillment process.

Modern customer journeys are about blending into their day-to-day activities. For example, Accenture is helping global clients move to WhatsApp and AI-based loan application journeys which seamlessly fit into the everyday lives of customers.

**ACQUIRE:**
Credit decisioning in the traditional processes is dependent on the skills of individual credit analysts but is often a collective decision taking up precious time across the hierarchy of underwriting resources. Leading banks leveraging analytics for underwriting and fraud detection are adopting AI and Deep Learning technologies for more efficient underwriting and decisioning. Deep learning algorithms help banks identify patterns in unstructured data from different digital sources to assess the credit worthiness of clients and to detect fraud.
However, digital lending journeys are hard to implement. For example, many older banks in India that are investing in digital onboarding and servicing journeys struggle with legacy loan origination and loan management platforms, and old school technology architectures. The legacy technologies neither support the ‘New’ nor facilitate rapid journey changes. In addition, they are expensive to enhance or maintain while the lack of scalability is a constant concern (Figure 3).

**Figure 3:** Limitations of traditional loan origination systems in supporting ‘The New’

<table>
<thead>
<tr>
<th>Lenders with traditional loan origination systems (LOS) have run into multiple issues...</th>
<th>... emanating out of key drawbacks of traditional Loan Origination Systems</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over time multiple changes to the LOS and ancillary systems are undertaken making it clunky with unidentified lapses and downtime</td>
<td>Over time with newer version releases, the maintenance cost can become very high</td>
</tr>
<tr>
<td>Point to point integrations, prevalent in old architectures make the LOS less stable</td>
<td></td>
</tr>
<tr>
<td>Basic digital frontends and limited functionalities, necessitate build of ancillary applications</td>
<td></td>
</tr>
</tbody>
</table>

The time and money taken by OEMs to make updates to the traditional LOS implementation is often too long and expensive

The workflows are neither very strong nor customizable - team is dependent of regular, manual overrides reset by the admin

Often incorrect configuration of workflow masters

Limited end to end traceability of the process across actors, documentation, exceptions, deviations

Lack of the right data models often lead of manual inputs which don’t allow for easy digital search

Extension of the LOS to other product types and indent processes are challenging

Focused on only one time onboarding often for specific product and product schemes

As digital technology transforms the lending business, lending companies must meet the needs of a dynamic market. For example, banks will need to offer a range of products such as both retail and business loans, and loans with or without collateral on a single lending platform. An intuitive and scalable lending platform will help companies provide multiple products at an accelerated speed to market.
Such a platform combined with an intelligent scalable architecture and a well-designed omnichannel customer experience will create a transformative loan origination journey. The relevant technology architecture should allow front-end creativity, easy plug-in plug-out in an ecosystem of data and services and enable the adoption of analytics and AI while retaining the legacy backend (Figure 4).

Figure 4: Key expectations from a new-age digital lending platform

- **Single digital lending platform for all products**
  - Loan with and without collaterals
  - Retail or Business Loans
  - Direct or Assisted Model
  - Digital Assessment; Instant fulfillment-sanction and disbursal
  - Counter offer “Yes, But” “No, But”

- **Intelligent Scalable Architecture**
  - Easy to Adapt to process changes
  - Decoupled Architecture for rapid new product deployment
  - Easy and low cost maintenance
  - Ecosystems integrations for sourcing
  - Technology architecture supporting scalability and agility

- **Omni channel and experience**
  - Identical mobile first journey
  - Self service or assisted closure of journeys
  - Ability to jump channels without break in experience
  - Process driving certainty and transparency

**Unlocking Value**

When based on a scalable platform, the digital lending journey can drive significant value for the lenders through improved sales effectiveness and lower operating costs. Our experience reveals that loan volumes can go up by as much as 20 percent while loan processing can speed up by 25-40 percent (Figure 5). The sales funnel is more effective while the network effect brings in additional leads and business. The onboarding costs are cut significantly through elimination (or reduction) of paper and resources. Underwriting and fraud-related costs are also lowered as a result of intelligent decisioning.
Figure 5: Unlocking value with an intuitive, scalable lending platform-based origination journey

**BUSINESS OUTCOMES**

**VALUE LEVERS**

- **Increased Lead / Opportunity Capture**
  - RM Selling Time (%)

- **Increased Acquisition**
  - Conversion of New Deals (%)
  - Market Share (%)
  - Client Experience (%)

- **Increased Retention**
  - Retention of Portfolio Deals (%)
  - Market Share (%)
  - Client Experience (%)

- **Increased Cross Sell**
  - Cross Sell Rate (%)
  - Cross Sell Value (INR)

- **Increased Non-Interest Income**
  - Fee Income (INR)

- **Increased Interest Income**
  - NII (INR)

- **New Product Offerings**
  - Product Adoption Rate (%)

**IMPACT METRICS**

- Line of Business Workforce FTE (#)
- Credit & Operations Workforce FTE (#)
- Courier Cost (INR)
- Document Storage Cost (INR)
- FTE wastage due to rework (#)
- Lower application fraud (%)
- Lower delinquency (%)
- BAU Employee Cost (INR)
- BAU Infrastructure Cost (INR)
- Development Cost (INR)

**TYPICAL RESULTS**

- **IMPROVED SALES EFFECTIVENES**
  - 15-20% Increase in loan volume
  - 25-40% Faster loan processing TAT
  - 20-25% Greater staff efficiency
  - 15-20% Lower operating cost
  - 20-25% Lower credit cost (Fraud + delinquency)
CASE STUDY:
A large non-banking financial company rolls out a new digital retail lending business at speed with the Accenture Digital Lending Platform

THE CHALLENGE
The non-banking financial company (NBFC) was moving from a commercial lending business to a retail lending franchise. It wanted to add products such as loans against securities, unsecured loans, two wheeler loans and auto loans to its existing portfolio of loans to small and medium enterprises. This shift meant that they had to change their focus from underwriting rigor to a digital retail mindset for end-to-end paperless processes, immediate fulfilment and real-time automated credit decisioning—all of this while reducing manual intervention and cost of acquisition.

THE SOLUTION
The team identified relevant customer onboarding and future digital journeys. They designed the journeys in such a way that these could be easily extended to different products through plug and play of specific process modules. The team ascertained the different data integrations required and the underlying technology architecture for the desired onboarding processes. Implementing the processes on a Salesforce.com (SFDC) platform, the team maintained the modularity of the processes while also using a decoupled architecture for all internal and external application/services integrations. The team was able to deliver two products within four months under an agile build which allowed for iterative enhancements. By the sixth month, all two-wheeler, SME loans, personal loans, auto loans and loan against shares were onboarded through this platform.

THE TRANSFORMATION
The platform was rolled out across all 228 branches and over 1,900 auto dealerships of the NBFC within the first six months. Over 102,000 files were processed in the first six months with a monthly run rate of over 27,000 applications per month at the end of the sixth month. About 80 percent of personal, two-wheeler and auto loans were processed without any manual underwriting. The SME business also expanded with over 20 percent improvement in turnaround time due to increased operational efficiency.
Digital lending platform for the future: Key considerations

While legacy systems and monolithic technology architecture can be deadweights for banks and NBFCs, the industry has reached the tipping point with lenders adopting future-ready lending platforms. For a successful transformation journey, banks and NBFCs need to consider key implementation factors.

Design for ‘iconic’ journeys
The lending platform transformation journey is an opportunity to reimagine the customer onboarding process including paperless, omnichannel and seamless experiences. For document intensive journeys transparency, data sharing and certainty of TAT would be critical. Therefore, to be future ready, banks and NBFCs need to fight the inclination to digitize existing sub-optimal processes; instead, design something iconic.

The Devil is in the exceptions
While the happy paths are easy to implement, the devil is in the exceptions. Plan for the exceptions in terms of process design and subsequent implementations. Exceptions lead to exception in platform design which in turn lead to shortcuts that could have a negative impact on customer experience. It is always prudent to stick to the design principles even under time and resource pressures. This approach will help contain the costs and prevent negative business implications down the line.

Build a decoupled architecture
The evolving landscape of analytics, the need for access to data, innovative business models and constant innovation require the lending platform to be agile and nimble. Decoupled architecture can help businesses align to a dynamic environment. Point to point integrations and monolithic architectures have been the core reason for inflexibility in legacy applications (Figure 6).
Design a device and form-independent platform
One of the biggest mistakes would be to focus on implementing the platform only in terms of how the different channel partners and internal users access the platform today. As job roles rapidly change and as usage is increasingly mobile first, the design and the platform should be device and form-independent to provide mobility and flexibility to users. This would lead to higher utilization and TAT.

Define a strong roadmap
The roadmap would allow for different products to be prioritized along with the related process and cultural changes. There are two approaches commonly used: one that focuses on a smaller volume product for a pilot project and the other a high volume product to ensure the largest coverage in the first release. Our work with clients has shown that a mix of light collateral and heavy collateral products in the early releases works best to cover most of the process, data and technology concerns.

CONCLUSION
The landscape for traditional retail banks and lenders has changed significantly. Banks and NBFCs that want to stay relevant amid proliferating new players such as fintech companies and online lenders grasp the need for transforming their lending business in a way that aligns with daily digital life of consumers. A scalable lending platform can help banks and other lenders innovate to quickly get closer to the customer while also driving growth in an uncertain and dynamic environment.
The Accenture Digital Platform

Aimed at making loan origination flexible and ready to meet the rapid changes in the lending market, the Accenture Digital Lending Platform (DLP) is built on Salesforce.com (SFDC). It has an underlying mega process which has over 50 sub process modules making it possible for clients to quickly adapt to any change across any part of the origination journey (Figure 7).

The Accenture DLP offers stability as an in-house solution, reducing dependence on vendors. The data models supporting the sub processes ensure that both retail and commercial lending journeys are easily managed across different internal and external stakeholders.

### Lead Management
- Create source
- Track activity on source
- Add lead to source
- Change lead disposition
- Convert lead to application
- Application qualification
- Qualified leads upload
- Campaign on lead

### Customer Go - No - Go
- Basic data entry
- Aadhaar validation
- Pan validation
- Mobile OTP based validation
- Address correction (Aadhaar info update)
- Collateral or Asset data entry
- Loan requirement (amount, tenure) entry
- Dedupe across multiple source systems (currently application and loans’ source system)
- Credit Bureau check (one or many)
- Fraud database check
- BRE based customer Go-No-Go decision

### Eligibility
- Verification - Tele PD, PD
- BRE based eligibility calculation - Offer or Reject
- Customer accept or Decline decision
- Application modification - Asset change
- Application modification - Co-applicant addition
- Application modification - Additional income, banking entry
- Application modification - Loan details entry

### Disbursal
- KYC document upload
- Disbursal docket upload
- Application form generation
- Sanction letter generation
- Other document generation - DO, etc.
- Disbursal docket courier
- Disbursal docket receipt at branch
- Disbursal docket verification
- Disbursal docket error correction
- Disbursal data entry
- Disbursed of loan
- RGU disbursal docket
SFDC’s State machine powers a flexible workflow while the platform connects with SFDC Einstein or an external analytics engine for SAS, R, etc. for driving intelligent processes. The front end can be customized to interface with the DLP through the API-based decoupled architecture or can be a device agnostic interface in SFDC Lightening. This ability allows the company to create a great customer experience with a stable loan origination platform at the backend. An easy bolt-on moves heavy scans and images into hot and archival cloud storage. As storage is on the cloud of choice there is better control on storage cost.

REFERENCES:
ABOUT ACCENTURE
Accenture is a leading global professional services company, providing a broad range of services and solutions in strategy, consulting, digital, technology and operations. Combining unmatched experience and specialized skills across more than 40 industries and all business functions—underpinned by the world’s largest delivery network—Accenture works at the intersection of business and technology to help clients improve their performance and create sustainable value for their stakeholders. With 482,000 people serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives. Visit us at www.accenture.com.

AUTHORS

Debayan Sinha
Senior Manager – Financial Services,
debayan.sinha@accenture.com
Accenture Consulting

Sonali Kulkarni
Managing Director – Financial Services,
sonali.kulkarni@accenture.com
Accenture India

Debayan specializes in Retail and SME Banking Strategy. His focus areas are Digital Strategy, Data Driven Transformation, Analytics for Banks and NBFCs.

Sonali leads the banking practice in Accenture India and several years of experience in the Financial Services Consulting services to Banks and NBFCs.