

Algorithm Based Risk Assessment for Lending Business

We changed the way business is done at Magma!

"This is one of the most innovative work we have done in recent times"

- Subhamoy Chakraborti, AVP IT, Magma Fincorp



Magma Fincorp (NSE: MAGMA), a \$ 2.8 billion (AUM) NBFC implements an **Algorithm Based Risk Assessment** system for its asset based finance business – to improve clarity and funding eligibility.

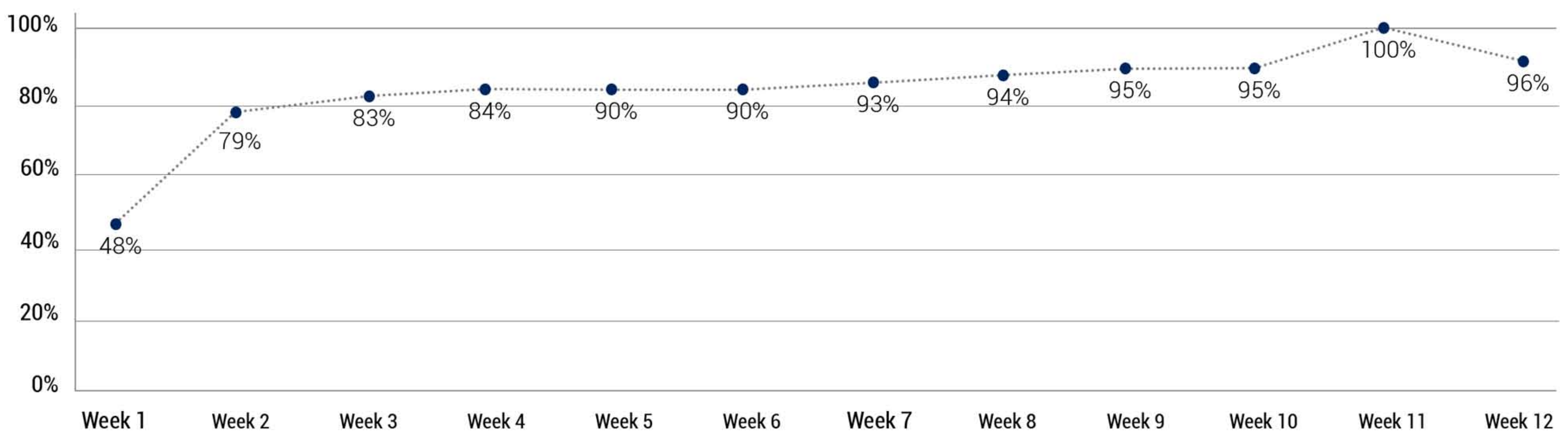
Customer on-boarding always had dependency on the credit team (Underwriters), to establish the fitment basis complex credit rules that were often confusing for sales executives. The insight required was to transfer the underwriter's knowledge into risk models & algorithms – that enable taking **Micro-decisions** at each stage of acquisition. Considering the landscape of India and specifically Magma's distribution in RURBAN sector (i.e. Tier 2 / Tier 3 towns), such micro-decisions had to be taken even without being connected to HQ!

This gave birth to the concept of M-DSS (Mobile Decision Support System) at Magma, which is presently rolled out to the entire ABF unit's 4000 plus front-line on their Android Tablets. The mobile App not only provides assistive prompting but also reduces the overall Application to Approval (A2A) cycle – thereby cutting a few steps in the operational work-flow.

This also won the Finnoviti 2016 under **MOBILITY** category



In October 2016 user adoption reached 100%!



Business Challenge

In the lending industry, a key challenge for growth is the Application to Approval (A2A) cycle time. This involves loan application processing from the field to the loan approval (or rejection) by credit risk team. Barring salaried profiles, lending to the vast customer base in various sectors involves multi-step assessment including customer profiling, financial need analysis, KYC documents and related logistics, to curtail the lender's credit risk.

This creates several challenges:

- Portfolio growth linearly tied to risk team's bandwidth
- Front line's subjective discretion of profiles - inconsistent with risk policies of company
- Expending precious customer engagement time on approval related logistics
- Poor customer service due to elongated A2A cycles

In this digital era, why can't we empower the field executive to take logical and company-endorsed decisions on the field using Mobility?

This was the start of a digital disruption – algorithm based risk modeling on mobile devices!

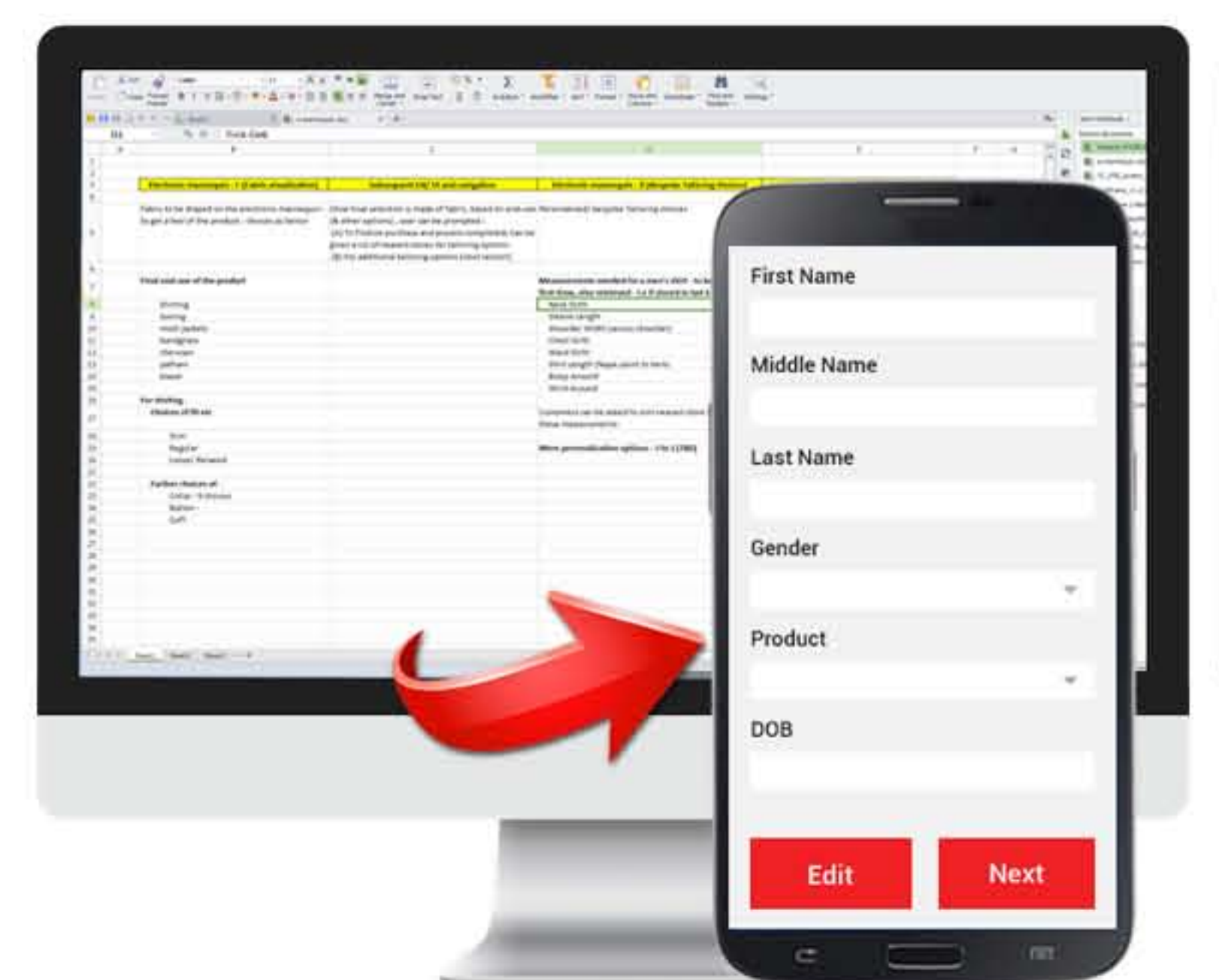
How did it work?

The risk policies and underwriting decisions were modeled in the most comfortable tool for the Risk Management team – i.e. Microsoft Excel – as a Product Template.

XLApp Engine (xlapp.io) was used to convert the Excel based Product Template and "Generate" a hybrid mobile app that contains the risk policies and decisions as algorithms – a "Smart App" indeed.

Front Line is empowered with this Smart App on a Mobile device that intelligently works Offline, when no connectivity is available, and connects to the loan origination platform.

Throughout the Customer on-boarding process, Front line relies purely on the "Smart App", which prompts and suggests the right "Next step" (Micro decisions!).



Excel to Mobile App

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Customer Story