

Priority Lending - Micro Finance

A Leading Southeast Asian Bank Implements Intellect's Dedicated Micro Finance Loan Solution

Redefining user experience; enabling smoother workflows

Introduction

The Priority sector lending environment, especially in India, is a complex one. It is constricted by multiple issues that range from low profitability and high non-performing assets to strict regulations and high transaction costs, despite the fact that the target audience of this segment is, more often than not, from the economically weaker sections of society.

In addition to this, the complex processes of sanctioning and monitoring large number of low value loans is both time consuming and manpower intensive. All these translate to the remarkably low profitability that banks make in this sector. In such a scenario, investments in innovative and scalable technologies will ensure a tight rein on high transaction costs.

About the Client

The client is a government sponsored bank. It is committed to poverty reduction by maximizing its outreach to the poor in the country. The bank uses the micro finance module for poor household lending, disadvantaged students lending, and for business and production households in disadvantaged areas across the country.

The Business Requirement

The bank wanted financial inclusions – offline system for disbursement and repayments handling for self-help groups at their location. It wanted group registration and group leader commission facility. Being a government sponsored bank, it had to handle government subsidies, both on accrual and payment basis.

The bank's requirements also included:

- Varying interest rate of multiple disbursements
- Bulk disbursement and payment posting
- Student stipend under government scheme for social equality
- Fixed principal and varying interest throughout the loan lifecycle
- Schedule based on community visit date

Intellect Solution

After an in-depth study of the bank's requirement and the operational environment, Intellect provided the bank its complete Intellect® Lending system with all micro finance features. The micro finance module has the following features:

- Financial inclusions and offline systems support disbursement and repayment
- Group disbursement and individual tracking
- Specific loan template designed for groups to ensure uniformity of disbursal and schedule for group members
- Flexible amortization schedules based on repayment capability
- Powerful customer relationship and assessment tools
- Robust government subsidy and scheme management
- Loan freezing for certain period
- Regulatory compliance reports

Business Value Addition

The Intellect® Lending solution added tremendous business value to the bank in two distinct ways. First, it redefined user experience for the bank's system users. Intellect replaced existing desktop systems with a centralized core banking and loan system. Secondly, it enabled unprecedented operational efficiency. This reduced process timelines. Also the Intellect solution strengthened customer relationship through the offline application and seamless flow of offline-online transfer.

Highlights

- Over 15 million loans
- Over 6000 users