Lending to the Informal
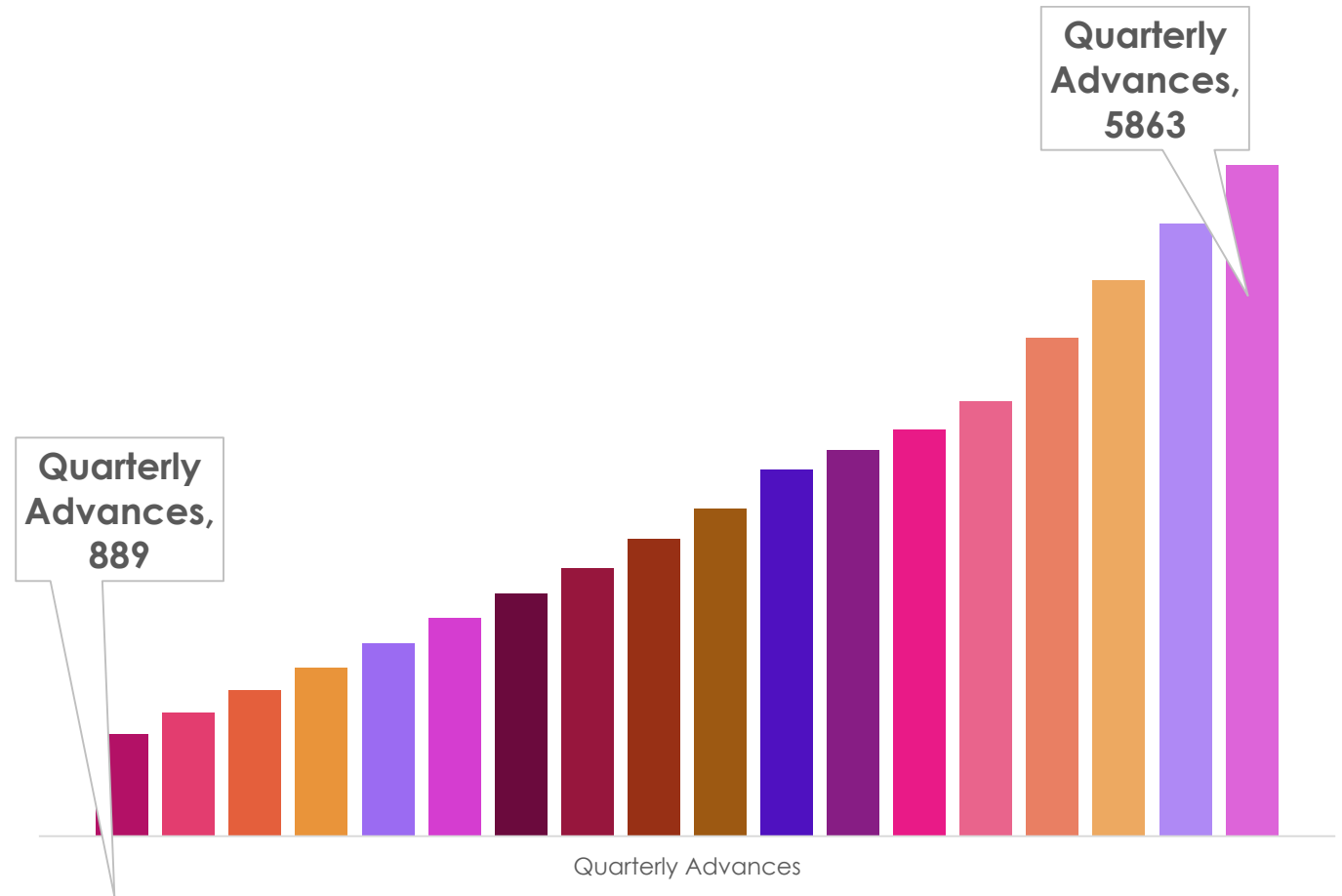
ASSESSMENT | COLLECTIONS | DNA | SUSTAINABILITY

Experience

- ~6000 Cr Loan book

- 6 Years vintage

- 3 Lac customers

- Across 12 States

- Diverse customer segments

Quarterly Advances, 5863

Quarterly Advances, 889

Quarterly Advances

Customer Segment

Grocery Shop

Tea Shop

Saloon

Tailoring Shop

Décor Rentals

Challenges

No Documented Income

Business Vulnerability

Reach

Wrong Judgement

Staff Integrity

Collections

Profile based Assessment

Based on lending history and in-depth understanding of the customer segments.

Model has been developed in-house.

- Community Connect
- Proprietary Credit Model
- Credit & Collection Ownership

Assessment walk through

Illustration

Provision Stores

- In shop Assessment
  - Stock and it's break-up
  - Estimate the stock turnover rate
  - Determine the profit margin based on product categories
  - Estimate shop expenses to arrive at profits
- Reference
  - HLL, Groceries, Staples & Oil Supplier reference checks
  - Expense verification
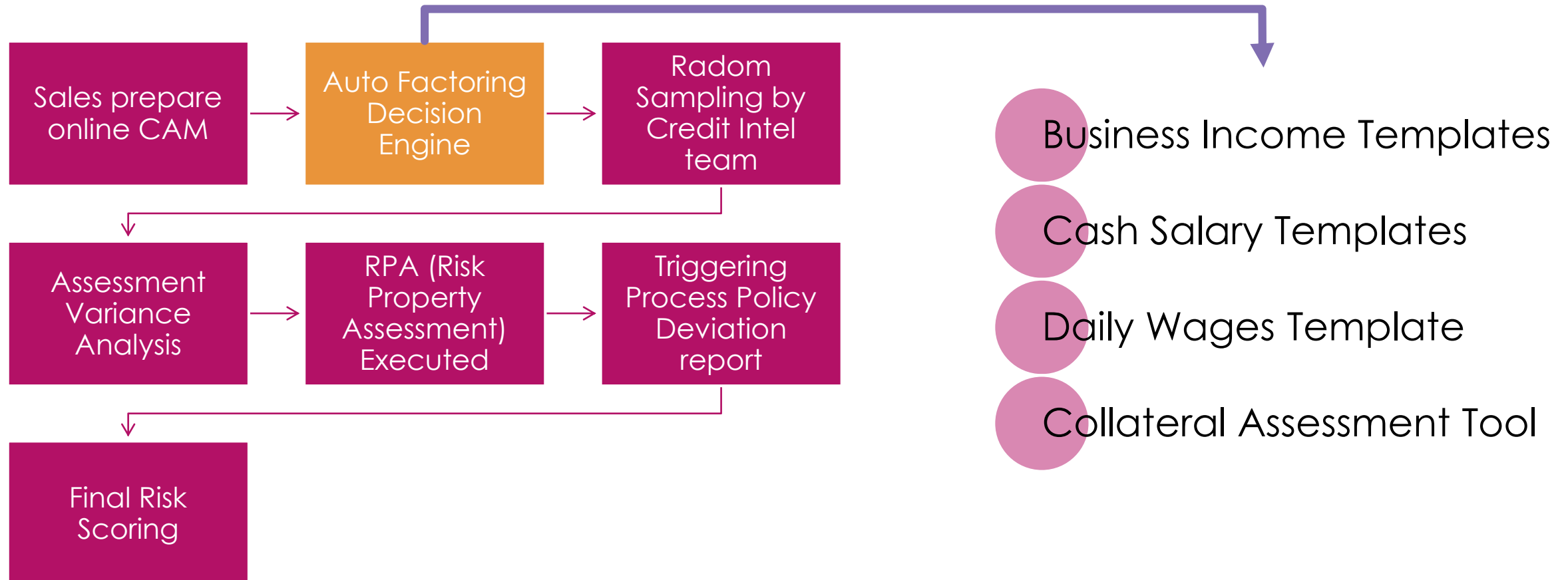
Tea Shop

- ▶ In shop Assessment
  - ▶ quantum of milk consumption through reference checks
  - ▶ Estimate sales turnover
  - ▶ Estimate shop expenses
- ▶ Reference
  - ▶ Milk procurement
  - ▶ No of tea cups sold based on the standard assumption of 30 ml/cup
  - ▶ Turnover based on standard price per tea cup

Assessment & Risk Control System

```
Sales prepare online CAM  →  Auto Factoring Decision Engine  →  Radom Sampling by Credit Intel team
                                                                          ↓
Assessment Variance Analysis  →  RPA (Risk Property Assessment) Executed  →  Triggering Process Policy Deviation report
       ↓
Final Risk Scoring
```

- Business Income Templates
- Cash Salary Templates
- Daily Wages Template
- Collateral Assessment Tool

Risks & Mitigants

Incorrect income assessment, collateral assessment and document fabrication

20% of sample review by Credit Intelligence team

Incorrect assessment on the property value

Property Risk Assessment team and Credit Intelligence team

Quality of underwriting

Underwriting quality reviewed by Credit Compliance team

Quality of Credit Intelligence team

Risk team random field visit and telephonic confirmation by the underwriter

Managing Collections

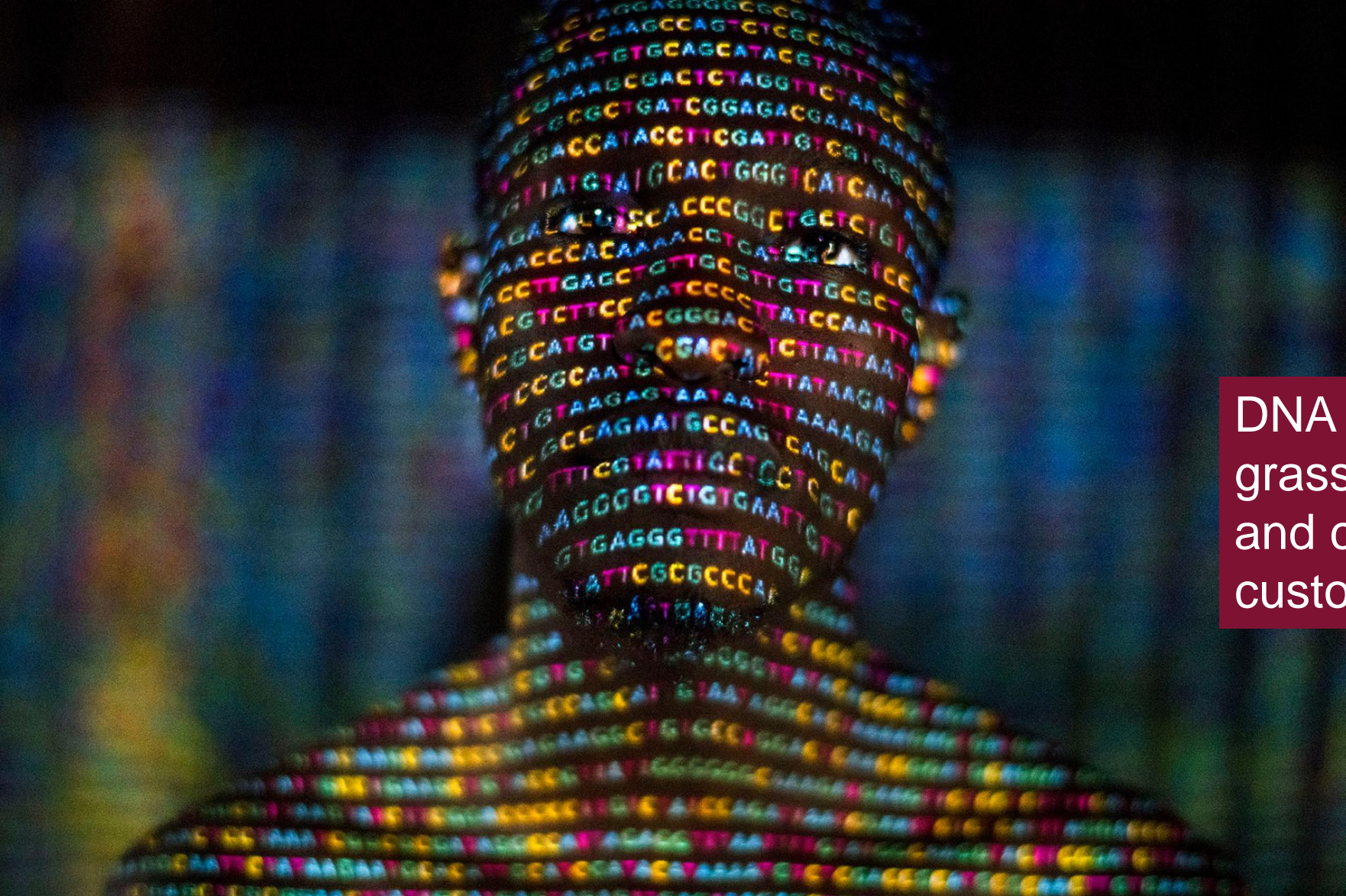|	
30% Cheque Bounces	Cash Handling & Recon
30% Walk ins	97% Collection Efficiency

Sustainable Growth

Cost of customer acquisition is high.

A sustainable model is when customers are efficiently migrated to other products and provide strong referrals.

- ▶ Upsell to MFI customers

- ▶ Strong community connect helps NTB referrals

- ▶ 50% of new customers are referrals

DNA for small ticket, grass root mobilisation and connect with customer segment

Thank you

Raghavan