India's Lending Leap: AI Turns Financial Dreams into Reality

Economic growth, abundant capital, advanced digital infrastructure, and supportive policies are driving rapid digital lending adoption among SMEs in India, creating a unique platform for growth and effective risk management.

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How does Uncia.ai differentiate itself from other digital lending platforms in terms of technology and customer experience?

Uncia sets itself apart through both its technology architecture and user experience (UX) design. Our tech architecture is driven by the vision of creating a 'self-serve' product that customers can launch independently. We understand that technology alone cannot achieve this, which is why we are developing comprehensive 'user learning' tools and other aids to support this goal. Our UX design journey begins the moment a potential user connects with us.

Our pure-play multi-tenant, microservices architecture delivers the full benefits of SaaS, complemented by our 'pay as you grow' model. From a UX design perspective, we are collaborating with a leading design agency to incorporate 'outside-in' design principles based on 'design thinking.' These elements collectively make our technology and UX clear differentiators in the market.

How is digital lending transforming the financial landscape in India, and what are the key trends to watch in 2024?

The root of the transformation we are witnessing today lies in the Digital Public Infrastructure deployed by the government. While digitalisation has been a buzzword in the IT industry for some time, few business segments have managed to digitise their end-to-end value chain as comprehensively as the financial services sector, particularly in India. India has taken a significant lead over the rest of the world with its advanced Digital Public Infrastructure.

Another crucial factor is the current state of technology. The virtually no-cost availability of application design and development environments has empowered young innovators, often fresh out of college, to create groundbreaking apps that are reshaping the digital landscape. For instance, the QR code has been available for free use since 2002, but it took 15 years for someone to harness its potential to create a payment app that revolutionised transactions. This blend of imagination and coding skills can create wonders.

Hari Padmanabhan, Chairman, Uncia

We are now seeing banks, including public sector ones, adopting sophisticated FinTech solutions. Meanwhile, regulators, having observed the evolving space, are rapidly updating the regulatory landscape to ensure compliance. The next few years will see a stronger ecosystem emerge, where all players must balance innovation with regulation. There is no inherent contradiction here; rather, a deeper understanding of regulatory requirements and incorporating those checks and balances into apps will be essential. This will require deep domain knowledge, which is often lacking among younger developers.

It wouldn't be surprising if independent validation of compliance before mainstreaming an app becomes a mandate soon. As this space evolves rapidly, closely monitoring developments and making informed, strategic decisions will be key to success.

Uncia.ai focuses on leveraging AI for digital lending. Can you elaborate on how your AI algorithms enhance credit risk assessment and streamline the loan approval process?

AI algorithms enable systems to learn from the data they are trained on,

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making the quality and availability of data crucial. Without the World Wide Web and the Internet, would a GPT have been possible? The effectiveness of AI depends heavily on the data an organisation possesses and how well it has been maintained.

The increasing digitalisation of the lending value chain allows for the storage and mining of vast amounts of data, enabling AI algorithms to perform their tasks effectively. The adage "Wealth in waste" applies aptly to data, as even seemingly insignificant data can be invaluable if properly mined.

What roles do AI and machine learning play in the future of digital lending, and how are they expected to evolve in the Indian market?

India has a significant advantage over the rest of the world, thanks to the massive adoption of digital financial services by millions entering the country's financial ecosystem. Initiatives like Jan Dhan accounts and Direct Benefit Transfer (DBT) have dramatically expanded digital adoption, reaching deep into the vast bottom of the financial pyramid. The NPCI-driven digital payments system, which operates at no cost to the user, has revolutionised digital adoption among the poorest segments of society.

These multi-pronged drivers are creating a financial digital highway, generating massive amounts of digital financial data. This data, stored on unsuspecting servers, is rapidly becoming an invaluable, real-time resource for smart algorithms to convert into actionable insights almost instantaneously.

The convergence of digital public infrastructure, the widespread availability of AI engines, and high-performance GPUs has created a once-in-a-lifetime opportunity. When channelled through intelligent learning algorithms, this confluence can revolutionise the future. Imagine a scenario where, by the time you digitally sign a home loan agreement, the loan is credited to your account, and the first instalment is paid to the seller—all without you having to upload any data or documents for credit assessment and approval, thanks to necessary pre-consents. This is the future we are working towards, and it is closer than ever before.

How are regulatory changes impacting digital lending platforms in India, and what should stakeholders expect in the near future?

I believe that the digitalisation of the economy's engine—money—and the regulation necessary to safeguard the interests of all stakeholders are two sides of the same coin. As both sides venture into new territory, where the game begins before the rules are set, disruptions in business models, missteps, U-turns, and occasional bumps on the road are to be expected.

Predicting the exact path forward is challenging, but if I were to make an educated guess, I would say that both sides will mature with a deeper understanding of each other. This mutual understanding will help strike a workable balance between innovation and regulation in the near future. The intent to achieve this balance is visible, and the means to do so will undoubtedly follow.

What are the main challenges faced by digital lending platforms in India today, and how are they addressing issues related to financial inclusion and customer trust?

I believe the Account Aggregator (AA) framework is a game changer in addressing customer trust issues. By prioritising user consent and adhering to mandated encryption standards, the AA framework allows lenders to access user-related data from other institutions that have a longer history with the user. This access is granted without compromising user privileges, as users can withdraw their consent at any time.

For institutions seeking data, the AA framework provides a more comprehensive profile of potential borrowers before approval. This holistic view significantly reduces the probability of loans turning bad, thereby protecting the institution's NPA margins.

How is the adoption of digital lending among SMEs progressing in India, and what factors are driving growth in this sector?

The simple answer is all the above. Additionally, a key factor is the rapid pace of economic growth that is "lifting all boats." The impact of the availability of abundant capital, coupled with unprecedented digital infrastructure and policies accelerating digital financial adoption across a vast population, will be transformative.

A never before venture investment climate is fuelling young minds eager to start their ventures post-engineering education. This education market itself has burgeoned over the last two decades to support the unprecedented growth in IT services, now a $250 billion industry. All these elements are converging fortuitously, creating a unique platform for businesses of all sizes, particularly SMEs, to automatically develop their digital financial profiles at no cost, enabling lenders to deploy their capital while managing NPA risks effectively and making decisions based on reliable and authentic data.

As an NBFC customer CEO recently told me, we can grow as fast as you can deliver technology!