Case Study

AI powered underwriting for a leading SMB lending bank in India

Business problem

Our client, a leading SMB lender was experiencing slow growth owing to blunt credit instruments that heavily relied on bureau scores. The client wanted to leverage Scienaptic AI platform's deep-learning tools to find newer segments of customers without adding risk.

Client's existing benchmarks:

- Approval rates across products ~ 40%

- Bad rates ~ 13.38%

Accelerated growth enabled by Scienaptic AI platform

Scienaptic AI platform's AI driven tools identified significant opportunity to grow portfolios across distinct product groups at reduced risks.

- Scienaptic AI platform leveraged rich transaction data through pre-build utilities for parsing multi-format bank transactions

- Transaction features were augmented with features from cash flows, tax return filings, bureau features, liquidity ratios, macro economic parameters etc. to identify growth segments better

- Features such as self-learning ability and variable monotonisation created deeper insights into customer behavior, resulting in sharper acquisition scorecard
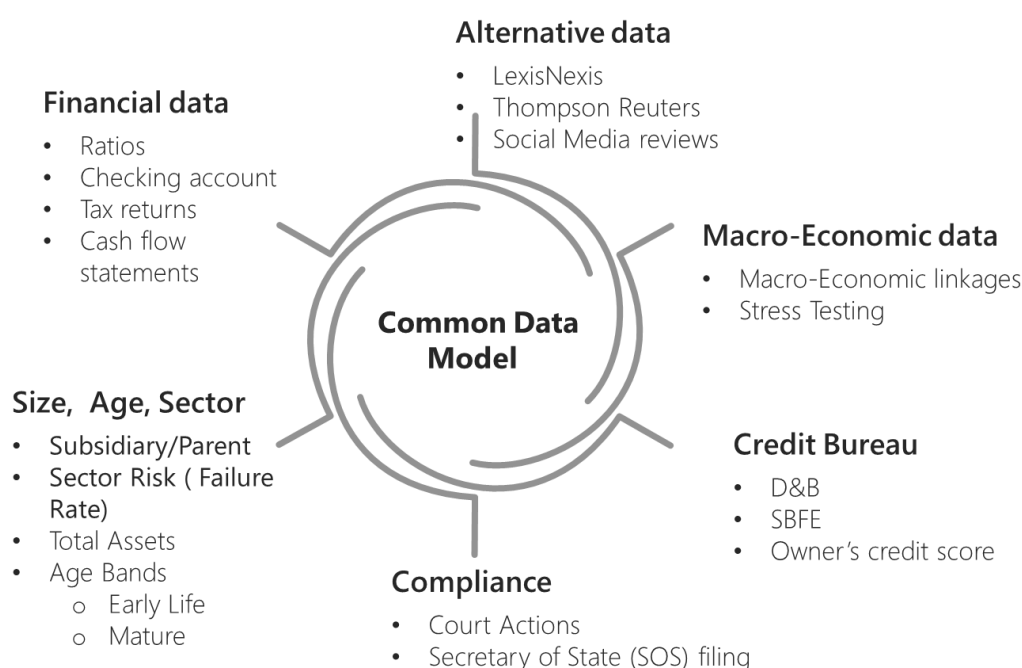
Alternative data

- LexisNexis
- Thompson Reuters
- Social Media reviews

Financial data

- Ratios
- Checking account
- Tax returns
- Cash flow statements

Macro-Economic data

- Macro-Economic linkages
- Stress Testing

Common Data Model

Size, Age, Sector

- Subsidiary/Parent
- Sector Risk (Failure Rate)
- Total Assets
- Age Bands
  - o Early Life
  - o Mature

Credit Bureau

- D&B
- SBFE
- Owner's credit score

Compliance

- Court Actions
- Secretary of State (SOS) filing

Fig: Data sources leveraged by Scienaptic AI platform's CDM

Proprietary ML algorithms converted data into powerful risk predictions driving insights into growth trends and default

- Decision to approve and amount of new exposure
- Extension of limits to existing relationships
- Identify unapparent features that drive portfolio performance

~ $ 5,000 cut off sees counter intuitive jump in bad rate from 12.1% to 17.2%

Bad Rate

| | 11.2% | 12.1% | 17.2% | 17.4% |

AVG_BAL_6M

Illustration: Scienaptic AI platform identifying link between higher balance and bad rates

Impact created

18.3%
Growth across portfolios within 8 months of implementation

10.1%
Reduction in bad rate while generating 18.3% growth

$70M
Additional loans approved at the same bad rate

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