CO-CREATION HELPS IN REDUCING BAD LOANS & IMPROVING COMPLIANCE

This is our story of co-creating a solution with a leading U.S. bank

WNS

AS WE KNOW...

When borrowers default on their loans, banks lose not only the principal sum and interest, it has an adverse effect on the cash flow as well. Higher number of defaults or delinquent loans lead to low credit scores. It's also a major barrier to revenue growth and brings banks under regulatory scrutiny.

THE CHALLENGE FOR THE BANK WAS...

It had numerous templates, methodologies and manual interventions to assess loan proposals. This led to multiple handoffs of loan applications and eventually impacted the bank's ability to service higher volumes of loans. There was also significant backlog in loan processing from a credit analysis perspective. The absence of a strong centralized governance and reporting structure coupled with inconsistent internal timelines added to the bank's lending problems. These factors hampered the bank's growth plans as well.

The bank leveraged WNS' analytics expertise to reduce bad loans, and establish systematic and automated credit appraisal operations. The goal was to have a centralized governance structure to comply with regulatory norms.

HERE'S WHAT WE CO-CREATED AS A SOLUTION...

WNS conducted an in-depth assessment to identify gaps in the existing credit appraisal operations. This comprised accumulation of relatively high-risk proposals, certain deviations from guidelines and multiple handoffs. Analysis was done on parameters such as interest coverage ratio and debt serviceability. The Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) were also analyzed.

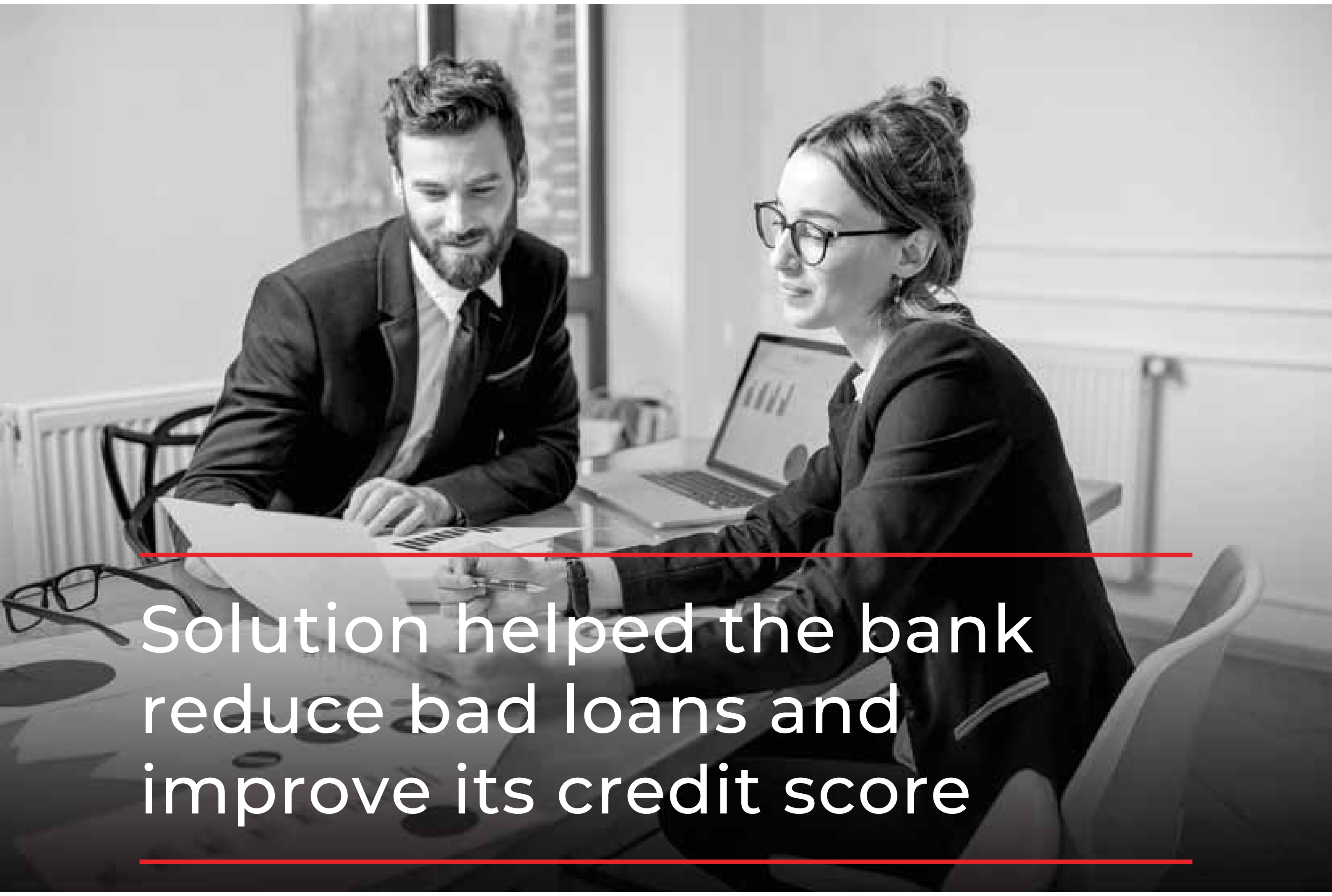
A Center of Excellence (CoE) model was deployed to set up criteria-based standard operating procedures, centralized practices, metrics and rating methodologies. All the metrics were closely monitored to provide a comprehensive report. Automation was introduced to reduce errors in the loan review process. Fragmented processes were integrated. Flexibility was embedded into the credit appraisal operations to minimize bottlenecks in the loan review process.

OUR LEARNINGS AND OUTCOMES FROM THE PROCESS OF CO-CREATION ARE...

That the CoE helped improve regulatory compliance. WNS enabled the client to put in place a rigorous credit analytics and risk grading mechanism. As a result, there was tighter scrutiny of lending procedures, which eventually brought down bad and delinquent loans. This also helped reduce backlogs and aided revenue growth. The CoE enabled faster closure of reviews and improved the bank's rating score.

Other benefits included:

- Significant reduction in bad / delinquent loan provisions; credit decision cycle time was brought down from 10-12 days to 5 days which led to 6-8 percent increase in loan uptake
- Over 99 percent accuracy levels due to automation
- Over 50 percent cost benefits due to the deployment of cross-trained resources by WNS



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