

## LEVERAGING AI & ML IN ENHANCING CUSTOMER EXPERIENCE IN NBFC IN INDIA

The article delves into the ubiquitous role artificial intelligence (AI) and machine learning (ML) algorithms play in positively shaping the customer experience and the operations of Non-Banking Financial Companies (NBFCs) in India.

The Indian Non-Banking Financial Companies (NBFC) sector is witnessing a significant transformation in their day-to-day business transactions. Not just the NBFCs in the upper layer as classified by the RBI's scale-based classification, but the NBFCs in the middle and base layers too are leveraging the power of artificial intelligence (AI) and machine learning (ML) to enhance customer experience and provide optimal financial solutions across diverse customer groups. The strategic adoption of AI and ML is upgrading how NBFCs interact, assess, and serve their customers, resulting in an optimal, efficient, and more personalised financial journey.

In this article, we look at the ubiquitous role AI and ML algorithms play in positively shaping the customer experience and the operations of NBFCs themselves.

### STREAMLINING CUSTOMER ONBOARDING

Traditionally, NBFCs have relied on manual processes for customer onboarding, assessments, and loan approvals, leading to lengthy turnaround times for customers. From the organisational side, increased scalability often implies larger teams, larger offices, and increased subjectivity at every step. However, with the deployment of AI and ML, the scenario has changed for the better in the following aspects:

- **Automated Document Verification:** The use of specialised algorithms to compare data captured via snapshots of identity documents like Aadhar cards, driving licences, etc and the data pulled in via India Stack APIs has significantly accelerated the authenticity of the borrower's identity. The inherent subjectivity of human filtering has given way to confidence intervals of the AI model in use. For example, a lender may decide an 80 per cent match of the selfie clicked by a customer, and his Aadhar biometric is sufficient validation of



identity for loan application purposes. Such detailing obviates subjectivity found by a human officer inspecting documents and making decisions.

- **Alternative Data Scoring:** ML algorithms can analyse non-traditional data sources, such as GST returns, utility bills, employee PF payments, and personal digital footprints on social media (with customer consent), to evaluate creditworthiness. This widens the reach of NBFCs to serve customers who earlier remained unbanked, underbanked, or without sufficient formal financial footprints. ML, thus, has the potential to accelerate financial inclusivity in our country.
- **Real-time Decision Making:** ML models can process loan applications round the clock, providing faster approvals and promoting customer delight. By using machine learning, sachet loans can be approved within minutes, and the model can be continuously improved for better decision-making.

### IMPLICATIONS BEYOND STREAMLINING: AI FOR ROBUST DECISION MAKING AND COLLECTIONS

Deploying ML and AI models, offer benefits extending beyond streamlining processes which are as follows:

- **AI-powered Risk Assessment:** NBFCs can leverage the power of AI to develop robust and sophisticated BREs, facilitating quick and comprehensive assessment compared to traditional models. AI models can incorporate multiple parameters, including alternative data points, to create a holistic view of the borrower's creditworthiness. This improves loan approval accuracy and empowers NBFCs to make informed decisions on loan terms and interest rates.
- **Predictive Analytics for Collections:** AI can be trained to analyse financial data of customers to predict potential delinquencies. Using identified