

India Edition

# IBSi FINTECH JOURNAL

Global FinTech Perspectives

SEPTEMBER 2024/ISSUE 01.05/₹200

## LENDING, P2P LENDING, IOT & 5G

50%

100%



### NEWS ANALYSIS

Pine Labs & Axis bank launch UPISetu, India's UPI-focused payments platform

### FEATURE FOCUS

Is India's Lending Boom a High-Stakes Gamble on Growth, Risk, and Regulation?

### INTERVIEW

Parag Bhise, CEO, Nucleus Software

# Is FinTech the Secret to Turbocharging the Future of Lending?

*In an era where digital transformation reshapes every facet of finance, FinTech innovators are not just keeping pace—they're setting the tempo. From cutting-edge lending solutions to revolutionary collaboration strategies, the industry is brimming with innovation.*

**Puja Sharma**

Assistant Editor, India Edition



## What are the key features of Nucleus Software that differentiate it from competitors?

Nucleus Software stands out prominently in the financial technology landscape due to its robust, comprehensive and sophisticated suite of products, extensive and in-depth BFSI experience, and impressive global reach. Central to our differentiation is our flagship platform, FinnOne Neo®, which collectively offers over 2,700+ lending variants.

This vast array of functionalities addresses every facet of the lending lifecycle—from loan origination and servicing to delinquency management—ensuring that our solutions are versatile enough to meet the diverse needs of financial institutions worldwide. Our transaction banking suite, FinnAxia®, enables banks to build strong, long-term relationships with corporate clients.

Nucleus Software provides a comprehensive range of financial services, including retail, corporate and automotive finance, along with transaction banking. Our advanced digital offerings—such as self-service onboarding, straight-through processing, data virtualisation and AI-driven solutions—position us as a leader in financial technology, driving industry innovation and digital transformation globally.

## How do you see the evolution of digital transformation impacting the lending industry in India over the next five years?

Digital transformation will bring in operational efficiency and cost reduction. The integration of automation will streamline loan origination, underwriting and servicing processes. Automated systems will minimise manual errors, accelerate decision-making and enhance overall efficiency. In this scenario, the ability to scale operations efficiently will be crucial.

Another critical impact of digital transformation is the ability for financial inclusion and market expansion. Digital transformation will enhance Personalisation and Customer Experience with Data-Driven Insights as



**Parag Bhise, CEO, Nucleus Software**

well as user interfaces. AI will enable lenders to analyse customer data to tailor loan offerings and enhance customer satisfaction.

The Indian digital lending market, valued at approximately \$25 billion in 2023, is expected to expand significantly due to digital transformation (IBSI, 2024). The adoption of digital technologies will create new job opportunities in areas such as technology development, data analytics and cybersecurity. Digital transformation has the potential to revolutionise financial services by enabling innovative business models, such as blockchain-based lending and decentralised finance (DeFi).

As technology continues to advance, these changes will reshape the lending landscape, creating new opportunities and challenges for financial institutions and their customers.

## How do Indian FinTechs influence your growth and market presence?

India's FinTech industry is rapidly expanding, with the market expected to grow at a CAGR of 22.17% from 2022 to 2027, reaching approximately \$150 billion by 2027.



**“FinTechs are introducing diverse financial products, from digital wallets to lending platforms and InsurTech solutions, pushing the envelope on what’s possible in financial services.”**

The collaboration between FinTechs and Nucleus is a classic example of a win-win scenario. Indian FinTechs leverage Nucleus’s extensive API library and domain expertise to innovate and expand, while Nucleus benefits from the growing market presence and cutting-edge developments driven by these FinTechs.

FinTechs are introducing diverse financial products, from digital wallets to lending platforms and InsurTech solutions, pushing the envelope on what’s possible in financial services.

### Can you discuss any recent advancements in your lending technology and their impact on loan processing times?

Nucleus Software’s lending technology has significantly impacted loan processing time, particularly with the integration of Straight Through Processing (STP) techniques.

Today, with digital lending platforms like ours, loans can be approved within minutes via mobile apps, requiring minimal incremental documentation beyond what is available through various Fintech integrations. The once unimaginable dream of a 10-second loan has become a reality for us through innovative collaborations.

Our digital lending platform FinnOne Neo<sup>®</sup>, is increasingly being deployed on cloud platforms. Cloud-based lending systems offer greater scalability, flexibility, and real-time data access, which are essential for handling varying loan volumes and market demands.

### What role does data privacy play in FinTech, and how should companies address these concerns in the Indian ecosystem?

Data privacy is critical in FinTech due to the sensitive nature of the data, such as PII and financial transactions. With the evolving Indian data protection landscape, particularly the impending Personal Data Protection Bill (PDPB), companies must adhere to stringent guidelines on consent, data localisation and breach notifications.

At Nucleus Software, we prioritise data privacy through advanced multi-layered encryption, role-based access governance and regular compliance audits. Our commitment to global and Indian standards ensures a secure environment for clients’ financial data, maintaining trust and meeting regulatory requirements.

### Do you see Indian FinTechs as competitors, or are there opportunities for collaboration?

Indian FinTechs represent a dynamic and evolving segment of the financial services industry. Our relationship with them encompasses both healthy competition and collaboration. This duality is not only a reflection of the industry’s rapid growth but also a strategic opportunity to drive mutual advancement and innovation.

Nucleus Software’s extensive domain knowledge and experience in managing large-scale financial systems can complement the agility and innovation of FinTechs.

### How are regulatory changes in India influencing the development and deployment of FinTech solutions?

Regulatory changes in India have significantly influenced the development and deployment of FinTech solutions, shaping the industry landscape and driving innovation. These regulations impact various aspects of FinTech operations, including data privacy, consumer protection and financial inclusion.

Regulatory bodies like the Reserve Bank of India (RBI) have issued guidelines to protect consumers from fraud and ensure fair practices. These guidelines cover aspects such as grievance redressal, fraud detection and transparent communication. Compliance with these guidelines ensures that FinTechs build consumer trust and operate transparently. The RBI’s Consumer Protection Framework emphasises the need for robust fraud prevention mechanisms and clear communication with consumers (Source: Reserve Bank of India, “Consumer Protection Framework”).

### How does your software support risk management and fraud detection in lending?

Nucleus Software’s solutions are at the forefront of enhancing risk management and fraud detection in lending through a range of advanced features and technologies. Nucleus Software’s platforms generate dynamic risk scores for each loan application, taking into account multiple factors like credit history, transaction behaviour and more. Higher risk scores can trigger additional scrutiny before loan approval.

### How does Nucleus Software address the challenges of scaling financial inclusion initiatives across different regions in India?

Nucleus Software is addressing the complexities involved in scaling financial inclusion initiatives across diverse regions in India. To address challenges related to low financial literacy and limited access to physical branches, our solutions emphasise a mobile-first approach. FinnOne Neo<sup>®</sup> supports robust mobile banking features that enable users to access financial services via smartphones, which are increasingly prevalent even in remote areas.

By leveraging these capabilities, financial institutions can overcome regional disparities and drive meaningful progress in financial inclusion.