

## FINTECH LOAN STARTUPS INNOVATE TO IMPROVE COLLECTIONS AS NBFC STRESS PILES UP

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Multiple third-party startups are coming up to help fintechs recover dues

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**PRATIK BHAKTA FEB 05, 2020 17:51:24 IST**

Digital lenders are wising up and changing. The loan startups that were chasing growth by lending aggressively are now focussing on the other important aspect of the game: collections. And are relying on technology to ensure that borrowers pay back the money.

While some lenders such as Capital Float and Loantap are investing in building their collection engines, others are partnering with startups that use technology to help lenders.

“Going forward, collection teams are going to be as important as loan-origination teams for players like us,” said a founder of a lending startup.



Pune-based Loantap is working on methods to trace errant borrowers. Image: Pixabay

The financial year 2019, which was difficult for the non-banking finance space, has made these startups realise that growing the loan book without a smart collection system can be disastrous.

Unlike banks, where traditional collection mechanisms work because of large size of loans and branch-led lending systems, fintech lenders have different needs.

Deployment of technology is improving the success rate of collections from less than 25 percent to more than 40 percent, industry insiders have told *Tech2*.

Capital Float co-founder Gaurav Hinduja said they were building a full-stack collection system, with humans at the centre. "Technology will only make him or her more capable of collecting systemically," he said.

Pune-based Loantap is working on methods to trace errant borrowers. It is trying to build an early warning system so that various teams can work together to not only help in collections but also prevent defaults.

"We have developed in-house systems of skip-tracing, where if a defaulter goes off the radar, we can use public data sources to track him down and deliver summons and bring customer back to the legal process of loan recovery," Loantap chief executive Satyam Kumar said.

Along with lending startups, third-party platforms are also tapping into the collections business. Mumbai-based Creditmate, which started as a vehicle financing startup, moved into the collections business in 2019.

Founder Jonathan Bill developed a collections platform that can help fintech lenders reach out to defaulters in a cost-effective way.



Jonathan Bill, Founder Creditmate.

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For instance, a Bengaluru-based fintech lending startup may have few cases of defaults in Madhya Pradesh. Since it has no office there to follow up with the defaulter, getting the money back can be difficult. Even local recovery agents will not work only five cases, they need to be given bulk cases.

"I am a platform, I have many other clients who might also have defaults in Madhya Pradesh or such states, hence I have the experience of dealing with cases there, the chances of me converting the case is much higher," Bill said.

Within a year of starting operations, more than 60 percent of his 45 large clients are fintech lenders.

Many factors are at play here — language, educating the borrower about the repercussions of a default and also trying to understand the factors that may have forced the borrower to default.

The fintech lending industry was built around using technology to chase borrowers not served by traditional lenders.



(L-R) Sujoy Ghosh, Neel Juriasingani, Founders Datacultr

Entrepreneurs were of the view that lending to the right borrower would ensure steady repayments but that is not how it has played out in the last few years.

Cases of frauds and genuine borrowers failing to repay have been growing, forcing the startups to invest heavily in the collections systems. Gurugram-based artificial intelligence startup Datacultr is trying smart technology to prevent defaults or force defaulters to pay up.

It has developed a technology through which it can collateralise the smartphone. Consumers can buy a smartphone on credit or use the smartphone as collateral for a working capital loan. "We have done a pilot in India with 50,000 borrowers with an NBFC, we have seen that 22 percent repay after the wallpaper is forcefully changed, 37 percent repaid within three days after certain apps were blocked and 42 percent repaid once the phone was locked," said Neel Juriasingani, chief executive officer, Datacultr.

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