

7 ways to Lend *Faster* and More Securely in 2023

Insights from our expert community,
comprising of professionals in microfinance
banking, digital lending and alternative credit.



Introduction

The global pandemic and subsequent chain of events like global inflation set off a reverberation that was felt by all sectors and industries, lending included. The unprecedented events forced most lending businesses to adapt and those who failed to became obsolete, left behind by industry peers.

A thorough review of the persistent inflation and effects of the pandemic reveals a glaring and uncomfortable truth: only lenders with resilient operations will thrive in the future. Building this much-needed resilience is not easy. It has so many turns that leaves even the advanced lending operations confused.

In light of this problem, the aim of this ebook is to provide a simple roadmap that every lending operation, regardless of its size can adopt to transform their business from one that is constantly reactive to events to one that is rock-solid, prepared to face uncertainties in the future.

The Editorial Team
Evolve Credit



1. The importance of an agile approach

The volatility of the economy has rendered yearly planning near-obsolete. There is no guarantee that events will turn out as foreseen. Therefore considering your inability to control events, be alert to market upheavals and adjust your approach when necessary. Developing an agile mindset will help you and your team weather the uncertainties that are now part of the business environment.





2. Lending successfully in an inflationary economy

To lend successfully in an inflationary environment, a critical understanding of your customers and their financial state is requisite. Inflation has caused a decrease in customers' purchasing power. As a result, people now need more money to meet needs that previously required less capital. In light of this, **understand your customers' financial behaviour**. This will enable you to lend based on the customers affordability, averting the incidence of overfunding.





3. Customer insights will rule

Invest time and resources to understand your customers and their needs. The insight from this will fuel the [additional] services you offer to them which may include capacity building.

For example in healthcare financing, most healthcare business owners are not entrepreneurial. Hence, they struggle to turn a profit. This often goes unnoticed with the business owners carrying on as usual, increasing headcount and making unnecessary acquisitions they don't need.

Another challenge in the healthcare sector is the absence of digitisation. This deprives them of the critical data they need to know the state of their business and the services that bring in the most revenue. The consequence is that lack of data makes decisioning difficult such that lenders cannot offer them the financing they need to grow their businesses.

Lenders who operate in healthcare financing and other sectors with these issues should work with stakeholders in their ecosystem to develop programs that address the critical skill gaps. To do this effectively, they need an in-depth understanding of the ecosystem.

The example above underscores two things. First, the target customers gain the skills they need to run profitable businesses. The more profitable their businesses are, the more money they borrow to scale their operations even further. Second, lenders who invest in capacity building are perceived as authorities in their niche. This perception fuels portfolio growth.



4. Embed financial advisory into core services

SME lenders focus just on loans and savings but what the sector needs is advice. Financial advisory should therefore become an integral part of any lending business. This is because when most SMEs apply for loans, their focus is on how the loan can help them to increase their inventory. There is no customer acquisition or sales plan which is actually integral if they will offset their loans at the agreed date. So in addition to financial advisory [which will enable SME lenders to determine if a business needs a loan or another intervention], SME lenders should embed other financial and non-loan related services like insurance and pension that business owners need to succeed.



5. Leverage data for smart decisioning

Prioritise data and leverage it to make better lending decisions like determining borrower's repayment capacity. In analysing borrower data, separate customers' revenue from profit and cash flow. This is because revenue and profit do not usually guarantee cashflow. And the absence of cash flow impede repayment.





6. Put measures in place that detect and prevent fraud

This is because fraud detection and prevention are critical to the success of every lending business. Invest in a core lending software that integrates into credit bureaus and identity verification platforms. This makes it easy to identify fraudulent applications, verify identities and ensure that borrowers who apply for loans not only have the ability but fully intend to repay their loans when due.

Depending on your business model, retain manual verification where credit officers visit borrower facilities to verify its existence and ownership. This is paramount when disbursing large SME loans.



7. Advice for risk officers

Risk professionals need to tweak their credit policy as the need arises. To do this, they need to understand the businesses in their market and be conversant with events and policy changes in the sectors they're active in. With this insight, they can develop a personalised risk profile for various loan products in that sector.

Risk officers need to pay extra care to ensure that the revenue in any business translates to cash. This is important because business owners need cash to offset any responsibility including the loan they are seeking. They should therefore identify things that inhibit cash flow in a business.

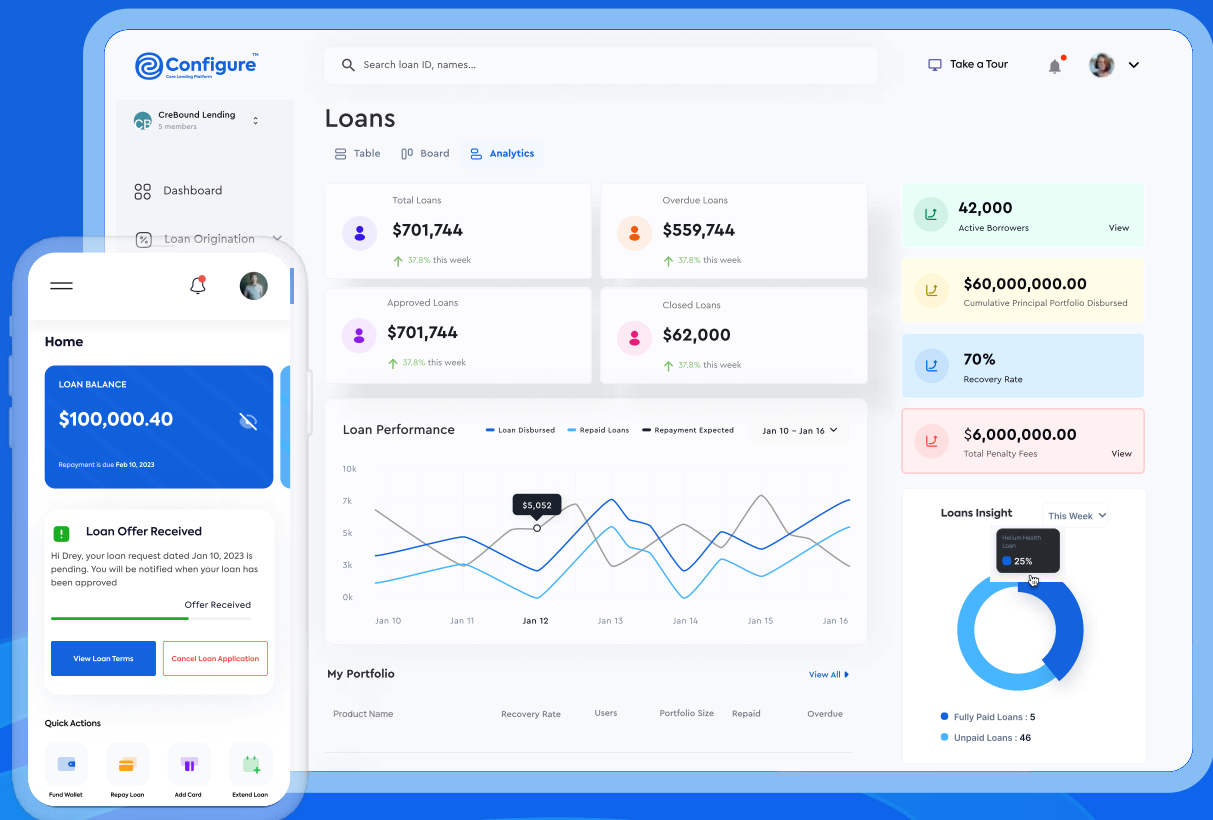


How to build a resilient lending operation in 2023 and beyond

- A. Partner with other digitisation partners to make your processes more efficient. For instance, a decade ago, loan processing was tedious. It required immense documentation and a lot of human effort. Now, there are numerous tools that simplify this once-tedious process. Leverage these tools to eliminate siloes, minimize risks and increase efficiency.
- B. Have the plan to combat inflation, market disruptions or economic downfalls. Maintain strong capital to ensure you have the funding required to operate a lending business. To build a resilient operation, diversify funding sources and portfolio.
- C. Invest in strong infrastructure and IT systems in order to have a robust operation. Lenders yet to digitise their operations should consider core lending platforms that are easy to use and meet their business needs.
- D. Ensure that your lending policy addresses the current market reality. Adjust your lending policy as things change. In an uncertain economy, move away from generic loan products to personalised products and leverage consumer insights to understand your customers and their preferences. Use this data to build custom loan products.
- E. To boost collection rates, partner with other fintech providers to facilitate easy repayment. Customer data influences collection. Therefore, rely on it to understand customers' financial attitudes as this will reveal the best collection methods and strategy.

About Evolve Credit

Evolve Credit is expanding access to credit through an intuitive lending software that enables lenders, financial institutions, alternative credit providers and businesses to lend faster, more securely and without limitations.



Join our Community

Join our expert community of lenders and professionals in the credit and lending industry. Get access to exclusive content and events.

Exchange ideas with peers and network with industry professionals.

Become a member.

Bi-weekly Events



Every two weeks, we host a live session [webinars] where industry professionals across different specialities like recovery, credit risk management and others share their insights and industry knowledge. The goal of these sessions is to promote thoughtful conversations and share new perspectives that you need to lend faster and more securely. Join our community to learn about our latest events.

