

NABFINS chooses Trust Software for solution implementation



nABARD Financial Services Limited (NABFINS) is a subsidiary of NABARD, registered with the Reserve Bank of India with major equity participation from NABARD and others including the Government of Karnataka, Canara Bank, Union Bank of India, Bank of Baroda, Dhanalakshmi Bank and Federal Bank. A non-deposit taking NBFC, it operates through more than 120 branches in about 16 states across India with loans disbursements of ~INR 740 crores (\$10.5 million) to about 23,000 Self Help Groups (SHG) in FY17.

NABFINS provides financial services in two areas – agriculture and microfinance – and is focused on catering to the underserved or people below poverty lines in a convenient way, including lesser documentation and availability of multiple centres.

To achieve this, it operates on two models for lending to customers; direct lending by its own employees to customers, and agency model where an agency (most commonly an NGO/B&DC) mediates the loan processes including account opening and collections at a location nearer to the customer.

The challenge for NABFINS

Technology wise, NABFINS had a central control system that was completely decoupled from accounting and operations. Accounting was handled by Tally, an Indian ERP software, while operations were managed by a customised solution developed by another vendor.

NABFINS' existing technology systems posed several challenges. First, systems were decentralised implying redundant data entry processes, additional time and higher potential for errors. Second, in the agency model, POS machines were handed to the agents for collections. These machines, being network dependent, posed operational issues at remote locations. Hence, there was a significant time lag between actual collections, transfer of data into the system and its subsequent upload on the server.

Many times, this gap was as long as 30 days and for amounts as high as INR 8 million (\$108,000), indicating a high level of funds being locked at the agency level and therefore, a high risk. Third, the customised solution used for operations was quite limited in its capabilities and could not be scaled up for more complex processes and analysis. The bank used Microsoft Excel for EMI calculations, which was inefficient for bigger accounts.



Rohit Omprakash Dube, AGM – IT, NABFINS

Move towards an integrated accounting system

NABFINS began looking for a new system that would help it centralise and optimise its operations. The bank launched an RFP process and evaluated numerous vendors that would fit their criteria for an advanced and flexible technology system that would be sustainable for at least the next ten years as well as fit their budget.

Specifically, NABFINS wanted an integrated accounting system, a mobile-based solution with the ability to work offline and provided remote access to real-time data for field operations, and other configurable products. After a rigorous selection and evaluation process that lasted for about four months, the bank finally chose Trust Systems & Software's TrustBank CBS Retail Microfinance Solution.

The partnership and the journey

Trust Systems & Software is an Indian financial technology company providing banking solutions, ERP Implementation and offshore IT services to clients across India, Asia, Africa, Middle East, Europe and North America. What tipped the scales in favour of Trust was its flexibility to customise the solution as per NABFINS' requirements. For instance, as collections were done in rural locations, the bank required a three-day buffer period for payments, to furnish the interest benefit to its customers. This required customisations to the solution, which Trust readily agreed to make.

The project began with an initial team of 10 employees from the bank's side – five functional, two technical and three business users as coordinators. The supplier's side included nine functional members as well as a team of 20+ technical resources for development and testing. Implementation was done in two phases.

The first phase involved implementing customised TrustBankCBS Retail Microfinance (NABFINS CMS) and other interfaces with Credit Bureau: CIBIL, HiMark, Equifax, Experian, e-KYC with a company called ITL, along with the supplier's agency banking and staff field operations module. In phase two, NACH and NEFT/RTGS were integrated with HDFC Bank and Yes Bank.

The following modules that were implemented:

1. TrustBankCBS HO module
2. TrustBankCBS Retail Microfinance operations module (SHG lending, JLG lending, institutional lending, personal lending)
3. Budget
4. Credit Bureau integration (HiMark, Equifax, CIBIL, Experian)
5. e-KYC
6. Filed staff mobile app interface
7. Agent banking mobile interface

NABFINS did not opt for an on-premise solution, primarily for two reasons: 1) On-premise would require significant manpower of at least 15-20 people for management. With the agency model occupying a significant share of NABFINS' lending, this arrangement would not be suitable. 2) Cost constraints as the initial cost of deploying an on-premise solution is high. Hence, NABFINS conducted a live check and review of the off-premise Tier 4 data centre that was managed by Trust and opted for a private cloud-based deployment of the system. The package also included a disaster recovery option.

Implementation was bank-wide and involved significant customisation requirements as per NABFINS' workflow requirements. Trust had to change data capture fields based on the loan application forms used and the credit parameters used by NABFINS. Also, offline functionality had to be developed for onsite field staff with proper controls in place and security of the data to be maintained. The implementation was successful, and the system went live in November 2016 with a PAN-India roll-out across 11 states.

In retrospect

The implementation did face challenges such as data migration from two different systems. There were frequent, unforeseen changes in requirements due to numerous factors such as pressure on NABFINS to launch new products that resulted in unplanned changes in priorities, implementation of a new taxation system in India and so on. The volume of changes also made it challenging to track earlier alterations. On the training front, Trust's team was supposed to train different levels of users who were spread across different geographic locations with different spoken languages and understanding levels. Trust managed to overcome such a situation and managed training and support of almost 2,000 users.



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Nevertheless, Trust managed to overcome all these challenges by using a systematic approach with quick response time and large teams in place along with proper coordination with business users and their expectations. Also, the fact that Trust was able to roll out the system across 11 states in India was commended by the NABFINS team. Post implementation, one of the biggest benefits that the bank experienced was streamlining of the entire process. With a centralised system and offline abilities, the bank was able to overcome one of its key challenges by being easily able to track loan applications, collections, status and so on across all branches in the country.

The bank witnessed a notable increase in the number of accounts and branches within a span of one year. Recently, the system was also further upgraded to identify and control fraudulent activity, filing statutory reports to the central bank (Reserve Bank of India). Going ahead, NABFINS and Trust are working together to further improve the process in terms of user authentication and risk management.

KEY FACTS

Bank: NABFINS

Headquarters: Bangalore

Supplier: Trust Systems & Software

Solution implemented: TrustBank CBS Retail Microfinance

Deployment: SaaS