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## DIGITAL LENDING

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## KNOWLEDGE TEST

- The balance in the loan account is debit or credit?
- Do all loans carry same interest rates? If no, why?
- What can a bank do if a customer does not repay the loan?



Notes

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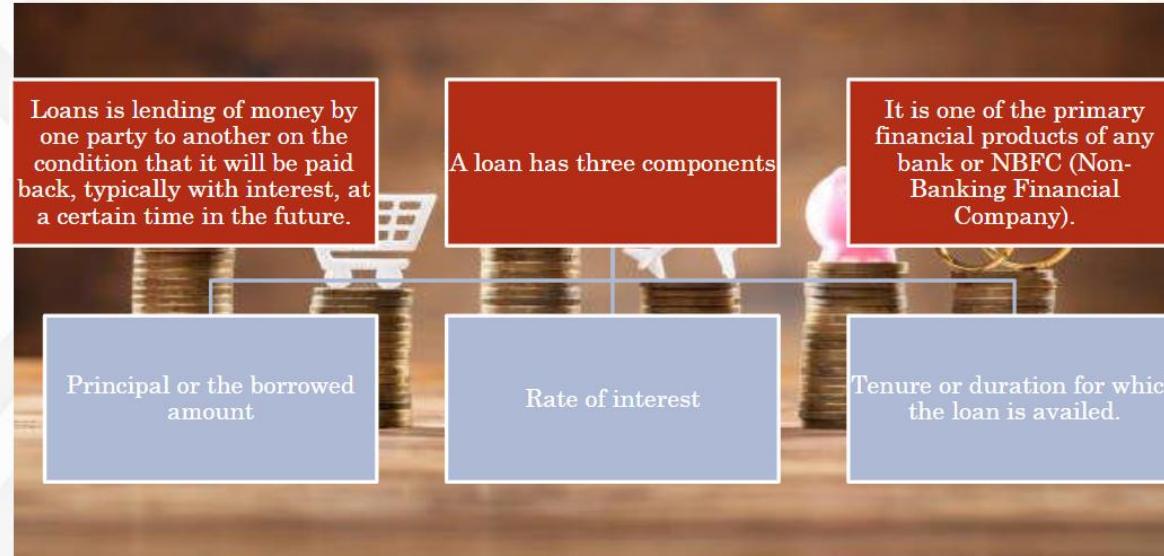


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Loans is lending of money by one party to another on the condition that it will be paid back, typically with interest, at a certain time in the future.

A loan has three components

It is one of the primary financial products of any bank or NBFC (Non-Banking Financial Company).

Principal or the borrowed amount

Rate of interest

Tenure or duration for which the loan is availed.

Notes



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THE 5 Cs OF CREDIT

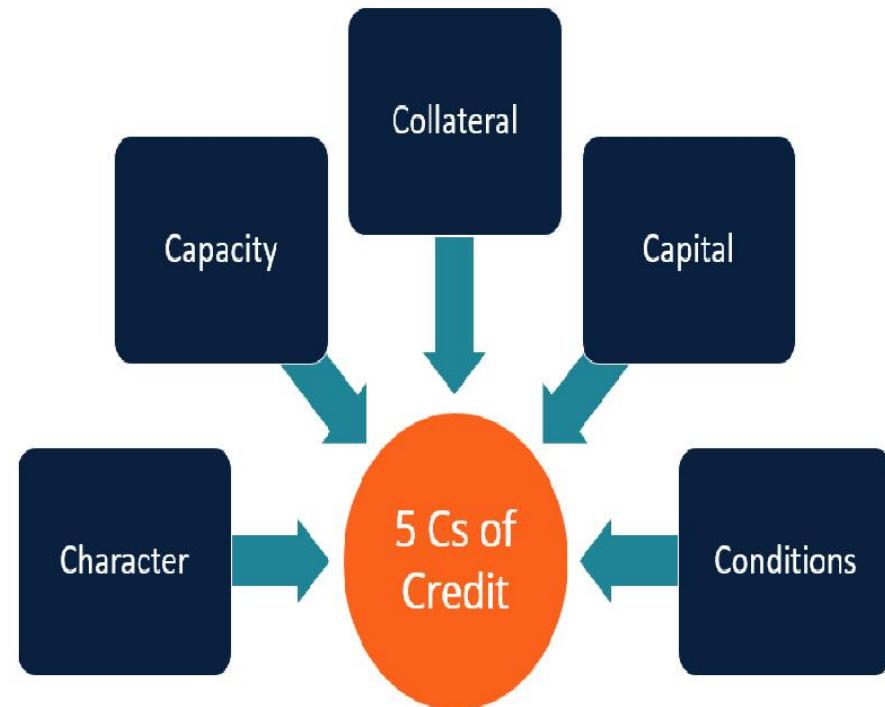
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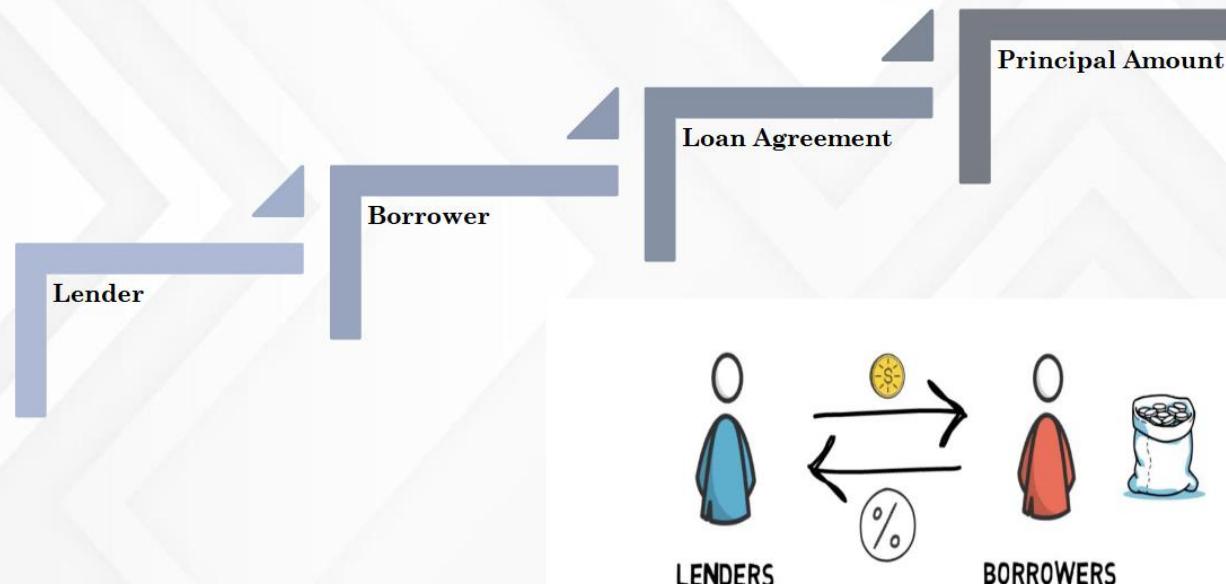


# LOAN TERMINOLOGY

Notes



## LOAN TERMINOLOGY



Notes



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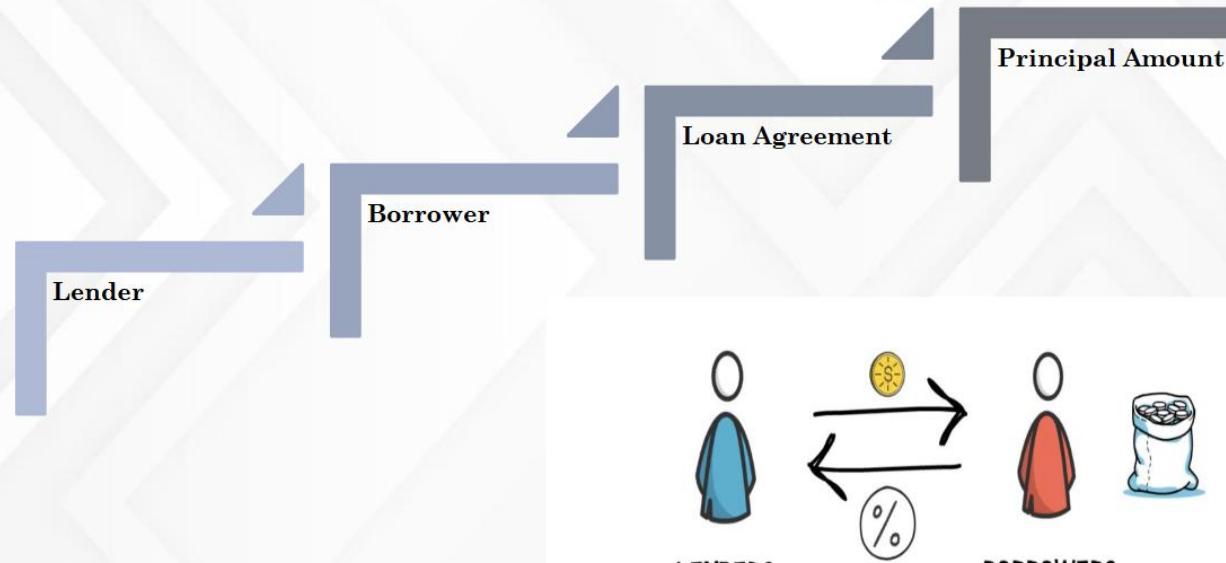


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## LOAN TERMINOLOGY





## LOAN TERMINOLOGY

Interest

Equated  
Monthly  
Instalments  
(EMI)

Loan to value  
ratio

Down  
payment/margin



Notes



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## LOAN TERMINOLOGY

Default

Guarantor

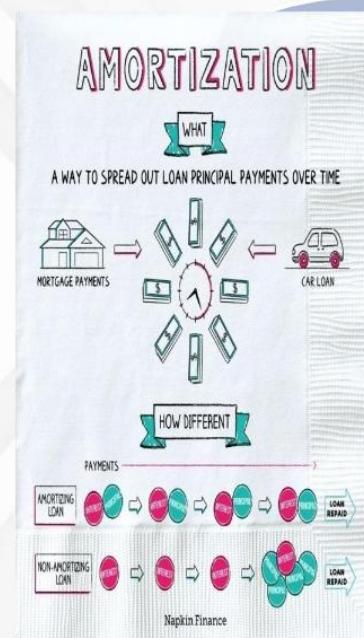
Late Payment



Notes



## AMORTIZATION



Amortization is an accounting technique used to periodically lower the book value of a loan over a set period of time.

Concerning a loan, amortization focuses on spreading out loan payments over time.

Notes

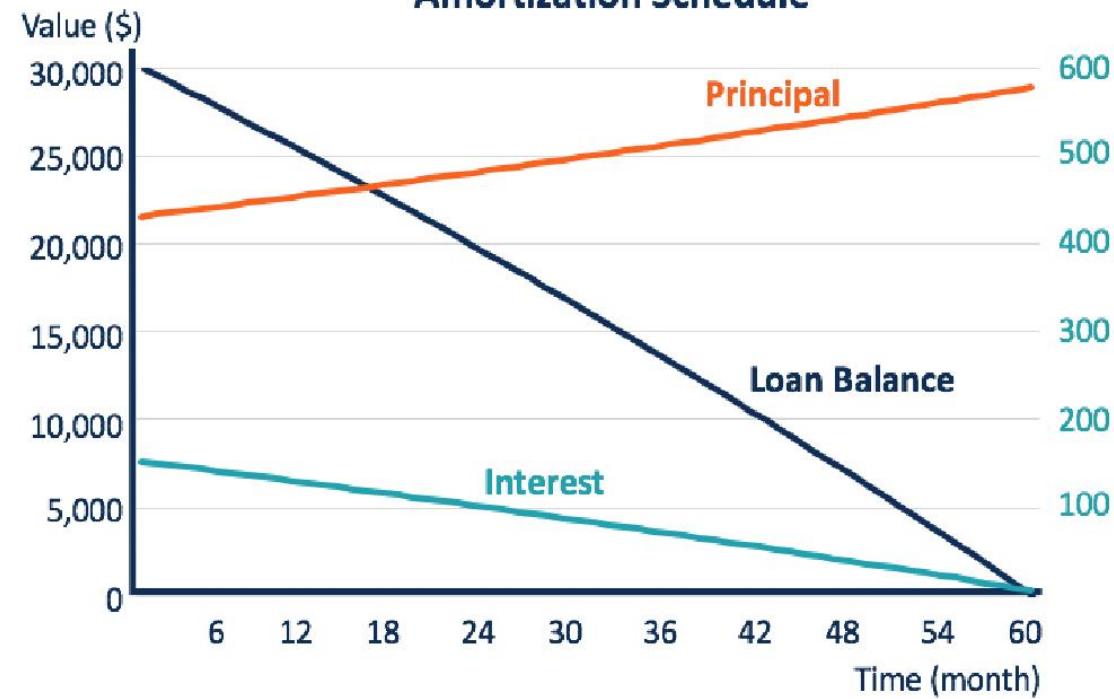
## AMORTIZATION SCHEDULE

A loan amortization schedule is a table that shows each periodic loan payment that is owed, typically monthly, and how much of the payment is designated for the interest versus the principal.

Typically, an equal amount of payment is made every period.

Notes

### Amortization Schedule



Notes



## ACTIVITY

- Using excel design the amortization schedule for Mr. Suresh who wants to take a home loan of 20 Lakhs for 20 years.
- The rate of interest charged is 7.75%. Loan start date is 15<sup>th</sup> March 2022.

Loan Amortization Template									
Enter Values Here				Summary of Loan					
Loan Amount				Scheduled Payment					
Annual Interest Rate				₹ 8,885					
Loan Period in Years				Scheduled Number of Payments					
Number of Payments Per Year				12					
Start Date of Loan				Total Number of Payments					
Additional Extra Payments				12					
Total Early Payments				Total Interest	₹	6,619			
Lender									
ABC Bank Ltd									
No. of Pmts	Date of Payment	Starting Balance	Scheduled Payment	Extra Payment	Total Payment	Principal Amount	Interest Amount	Balance to Pay	Cumulative Interest Amount
1	3/2/2017	₹ 100,000	₹ 8,885	- ₹	₹ 8,885	₹ 7,885	₹ 1,000	₹ 92,115	₹ 1,000
2	4/2/2017	₹ 92,115	₹ 8,885	- ₹	₹ 8,885	₹ 7,964	₹ 921	₹ 84,151	₹ 1,921
3	5/2/2017	₹ 84,151	₹ 8,885	- ₹	₹ 8,885	₹ 8,043	₹ 842	₹ 76,108	₹ 2,763
4	6/2/2017	₹ 76,108	₹ 8,885	- ₹	₹ 8,885	₹ 8,124	₹ 761	₹ 67,984	₹ 3,524
5	7/2/2017	₹ 67,984	₹ 8,885	- ₹	₹ 8,885	₹ 8,205	₹ 680	₹ 59,779	₹ 4,204
6	8/2/2017	₹ 59,779	₹ 8,885	- ₹	₹ 8,885	₹ 8,287	₹ 598	₹ 51,492	₹ 4,801
7	9/2/2017	₹ 51,492	₹ 8,885	- ₹	₹ 8,885	₹ 8,370	₹ 515	₹ 43,122	₹ 5,316
8	10/2/2017	₹ 43,122	₹ 8,885	- ₹	₹ 8,885	₹ 8,454	₹ 431	₹ 34,668	₹ 5,748
9	11/2/2017	₹ 34,668	₹ 8,885	- ₹	₹ 8,885	₹ 8,538	₹ 347	₹ 26,130	₹ 6,094
10	12/2/2017	₹ 26,130	₹ 8,885	- ₹	₹ 8,885	₹ 8,624	₹ 261	₹ 17,507	₹ 6,356
11	1/2/2018	₹ 17,507	₹ 8,885	- ₹	₹ 8,885	₹ 8,710	₹ 175	₹ 8,797	₹ 6,531
12	2/2/2018	₹ 8,797	₹ 8,885	- ₹	₹ 8,797	₹ 8,709	₹ 88	- ₹	₹ 6,531

Notes



## EMI CALCULATION

### Illustration: How is EMI on Loan Calculated?

**Formula for EMI Calculation is -**

**P x R x (1+R)<sup>N</sup> / [(1+R)<sup>N-1</sup>] where-**

**P = Principal loan amount**

**N = Loan tenure in months**

**R = Monthly interest rate**

The rate of interest (**R**) on your loan is calculated per month.

**R = Annual Rate of interest/12/100**



Notes



## EMI CALCULATION

- For example, if rate of interest is 7.2% p.a. then  $r = 7.2/12/100 = 0.006$
- If a person avails a loan of ₹10,00,000 at an annual interest rate of 7.2% for a tenure of 120 months (10 years), then his EMI will be calculated as under:
- $\text{EMI} = \text{₹}10,00,000 * 0.006 * (1 + 0.006)^{120} / ((1 + 0.006)^{120} - 1) = \text{₹}11,714.$
- The total amount payable will be  $\text{₹}11,714 * 120 = \text{₹}14,05,703$ . Principal loan amount is ₹10,00,000 and the Interest amount will be ₹4,05,703

Notes



## DISBURSEMENT

The process of releasing the loan amount from the lender to the borrower is regarded as disbursement.

The loan amount is disbursed only after the lender receives all the documents and the loan is approved.

Disbursement can be of three types:

**Advance  
disbursement**

**Partial  
disbursement**

**Full  
disbursement**

Notes





## PRE-EMI

EMI payments begin after a loan is completely disbursed.

Until then, the borrower must pay the lender an interest rate on the partially disbursed amount. This is known as Pre-EMI.

Pre-EMI is the payment of interest applicable on the loan

This amount is paid in the period during which the house/building is being constructed

Notes

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## PRE-EMI - ILLUSTRATION

Person A opts for a home loan of Rs. 15, 00,000 over a period of 20 years.

The construction of his house will be completed in 3 years, during which he wishes to pay pre-EMI.

After this 3 years is completed and his pre-EMI payment ends, EMI repayment period commences.

Thus, the total loan tenure would be 3 years (pre-EMI period) + 20 years (loan tenure) = 23 years.

Notes

## SANCTION LETTER

This is the formal confirmation sent by the lender stating that your loan request is considered.

The offer letter typically contains details regarding the loan amount, interest rate and type, the loan tenure, the monthly payments or EMI amount, terms and conditions, etc.

An offer letter is only valid for a period of six months in which you must complete the loan formalities

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Notes



Ask Doubts



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## DIGITAL LENDING

- **Digital lending** is a technology that allows financial institutions to boost productivity and loan profits while providing speedier service at the point-of-sale (POS).
- It enables potential borrowers to apply for loan products from any internet-capable device from any worldwide location.
- Digital lending is neither a new nor unfamiliar practice, and financial institutions understand the basic concept quite well.
- However, as technologies advance and consumer demands evolve, that concept becomes more complex. Customers expect banks to process applications and render decisions at a furious pace.
- Run-of-the-mill paperless services are now commonplace, and financial institutions must provide customers with digital lending practices that reach beyond the ordinary to keep pace.

Notes



## 6 STEPS TO A SEAMLESS DIGITAL LENDING PROCESS

### Step 1: Loan Origination

- Using Loan Calculator to select the amount and duration of the loan to instantly find out the monthly installment amount
- Pre-approved offers for simple, hassle-free and fast loan applications
- Ensuring a personalized customer journey with Next Best Offer

### Step 2: Application and Data Capturing

- Online application: offering a fully-digital, customer-driven lending experience
- Customer identification: complying with Know Your Customer (KYC) and Anti-Money Laundering (AML) regulations
- Document checklist: handling large volumes of loan documents swiftly and accurately with Optical Character Recognition (OCR) technology
- Digital verification for proof of customer (income and repayment capability)

Notes

A screenshot of a Microsoft Windows desktop. At the top, there is a taskbar with several open windows: "9) Majhe Majhe Tobo Dekha Pe" (YouTube), "Lumen" (Lumen), "PDF to JPG Converter | Convert" (PDF to JPG Converter), and "Shubha-slack/Learning-Module" (Slack). Below the taskbar is a search bar with the placeholder "Type here to search" and a weather widget showing "27°C Haze". The main content area shows a slide from a presentation titled "6 STEPS TO A SEAMLESS DIGITAL LENDING PROCESS" from "manipalglobal SKILLS ACADEMY". The slide details two steps: "Step 1: Loan Origination" and "Step 2: Application and Data Capturing", each with a list of features. A "Notes" button is visible in the bottom right corner of the slide. The bottom of the screen shows the Windows Start button, the taskbar with icons for File Explorer, WhatsApp, Microsoft Edge, and others, and the system tray with battery status, network, and date/time (11:38, 17-11-2024).



## 6 STEPS TO A SEAMLESS DIGITAL LENDING PROCESS

### Step 3: Loan Processing

- Using AI capabilities to define a list of pre-approved automated loan checks
- Swift decision-making processes to facilitate pre-approved offers and instant loan approvals
- Connecting to multiple credit checking organizations

### Step 4: Underwriting

- Integrating eligibility calculator to reduce acquisition costs
- Approval in principle for customers with limited data

Notes

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## 6 STEPS TO A SEAMLESS DIGITAL LENDING PROCESS

### Step 5: Loan Approval

- Digitizing confirmation process to onboard the new customer
- Robust decisioning engine for fast decisions and instant disbursement

### Step 6: Disbursement

- Simplifying loan applications with digital signature workflow
- Handling documents digitally from template automation to printing, document scanning to archiving
- Cross collateralization where borrowers use one asset to back up multiple loans\*
- Connecting contracts post signature to API's and existing systems through clause templates\*

Notes

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## Key Components of Finacle Digital Lending Solution Suite

**LOAN MANAGEMENT**  
Retail lending | Corporate lending

**LOAN ORIGINATION**  
Retail loans | Corporate loans

**DIGITAL ONBOARDING**  
End-to-end automated, digital onboarding

**LEASING**  
Lease & asset life-cycle management

**LIMITS**  
Manage global limits and exposure

**COLLATERALS**  
Automate evaluation & monitoring of enterprise collateral

**COVENANT**  
Manage, track and effectively monitor covenants

Notes



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## KEY BENEFITS OF DIGITAL LENDING

- Streamlining the Application Process
- Digitizing the Lending Information
- Using Lending Information for Analysis
- Offering Mobile Lending Features and Document e-Signing
- Providing Loan Options for No-Credit Customers

Notes



## KEY BENEFITS - FOR FINANCIAL INSTITUTIONS

- Reduced errors, shorter time scales, greater decision-making consistency
- Reduced cost of customer acquisition and cost of servicing
- Less churn, increased satisfaction, higher retention
- Mitigated risk & enhanced decisioning
- Providing simplified lending and improving the retail, commercial and corporate loan experience
- Offering the convenience of applying for a loan with minimal manual inputs
- Reassigning employees to higher-value work
- Accelerated speed to market

Notes

A screenshot of a Windows desktop environment. At the top, there is a taskbar with several open application windows: 'Majhe Majhe Tobo Dekha Pe' (video player), 'Lumen' (learning management system), 'PDF to JPG Converter | Convert', and 'Shubha-slack/Learning-Module'. Below the taskbar is a search bar and a row of pinned icons. The main content area shows a slide from the Lumen platform titled 'KEY BENEFITS - FOR FINANCIAL INSTITUTIONS' from 'manipalglobal SKILLS ACADEMY'. The slide lists nine benefits of AI for financial institutions. In the bottom right corner of the slide, there is a 'Notes' button. The bottom of the screen shows the Windows Start button, a search bar with placeholder text 'Type here to search', and a system tray with various icons and status information.



## KEY BENEFITS -FOR RETAIL, SME AND CORPORATE CUSTOMERS

- A smoother, less stressful digital loan origination journey
- The convenience of being able to apply with minimal manual inputs
- Ability to provide and sign documents digitally at any time, from any device
- Faster loan decisioning
- Simplified borrowing experience
- Improved satisfaction

Notes

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## DIGITAL LENDING VS TRADITIONAL LENDING

Criteria	Digital Lending	Traditional Lending
Application Process	Online applications, often with fast decision-making	In-person applications, may take longer to approve
Speed of Funding	Funding can be approved and transferred quickly	Funding may take longer to process and receive
Credit Requirements	May consider alternative data sources in addition to credit score	Emphasis on credit score and history
Customer Experience	Convenient, accessible, and may offer personalized experiences	May have more limited access to products and services
Loan Amounts	May offer smaller loan amounts or customized loan products	Often provides larger loan amounts
Risk Assessment	Uses technology and algorithms to assess risk	May rely more on manual underwriting and loan officers
Interest Rates	May offer lower interest rates due to lower overhead costs	Rates may be higher due to traditional overhead costs
Repayment Terms	May offer more flexible repayment terms and payment options	Generally more rigid repayment terms and fewer options
Collateral	May offer unsecured loans	May require collateral or security for loans

Notes



## DIGITAL LENDING PLATFORMS IN INDIA

Digital lending platforms have revolutionized the lending process, making it easier, faster, and more convenient. Here are seven prominent digital lending platforms in India:

- MoneyTap
- Lendingkart
- Pine Labs
- MobiKwik
- Shiksha Finance
- Paytm
- Faircent

Notes

A screenshot of a Microsoft Edge browser window. The address bar shows the URL: lumen.u-next.com/learning-center/a0BJ1000000yzoqMAA/content-area/list/content/6d9051ba-3613-49f3-8a26-e352c93fc1b/pdf/notes?leftMenu=true&amp;id=learning-center... . The main content area displays the title "DIGITAL LENDING PLATFORMS IN INDIA" and a list of seven platforms. The browser's taskbar at the bottom shows various pinned icons and the system tray on the right displays weather information (27°C Haze) and system status.



## DISCUSSION POINTS

- Who can avail of digital lending services?
- What are the benefits of digital lending?
- What are the risks associated with digital lending?
- What documents are required for digital lending?
- How to compare digital lending options?
- Is digital lending secure?
- Can borrower repay my digital loan early?
- Can borrower apply for a digital loan with a low credit score?

Notes



# Thank You

Notes

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