SECURING A BROKEN LENDING SYSTEM

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CURRENT SCENARIO

The lack of participation of general people specially from people of marginal and underprivileged communities and the lack of accountability in the lending process leading to corruptions and inefficiencies are the barriers of building a strong sustainable financial system

86% RURAL POPULATION WITHOUT ACCESS TO FORMAL CREDIT SYSTEM

2401.67 BILLION BDT IN DEFAULT LOANS ACCORDING TO IMF

417% GROWTH OF NON-PERFORMING LOANS IN LAST 10 YEARS

BROKEN LENDING SYSTEM & ECONOMIC FAILURE

- Economic Stagnation Occurs
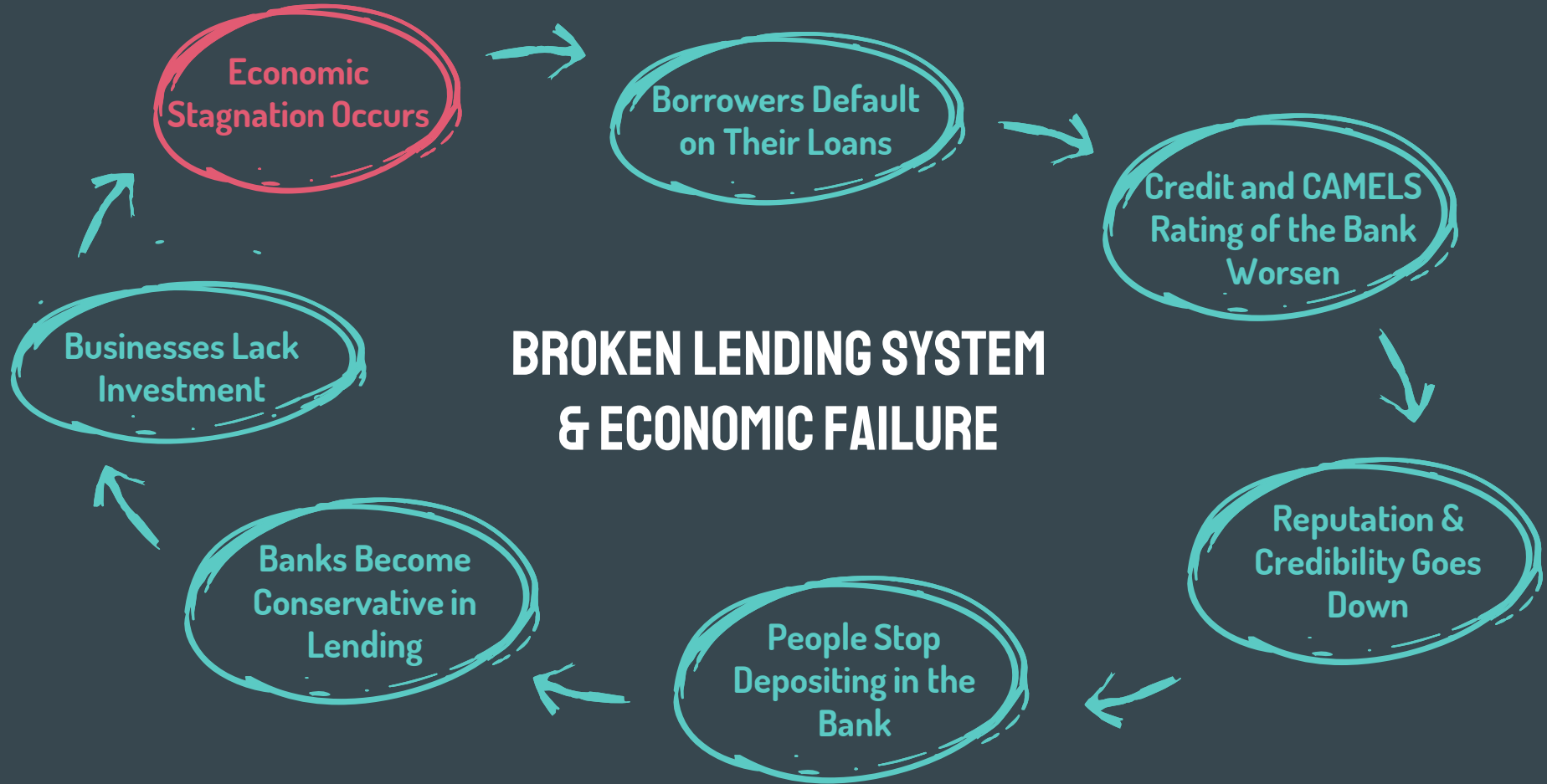- Borrowers Default on Their Loans
- Credit and CAMELS Rating of the Bank Worsen
- Reputation & Credibility Goes Down
- People Stop Depositing in the Bank
- Banks Become Conservative in Lending
- Businesses Lack Investment

PROBLEMS

BROKEN ASSET MANAGEMENT SYSTEM

Most assets are verified manually for irregularities which is very inefficient and error-prone

NO STANDARD EVALUATION SYSTEM

No standard way of determining the integrity of a borrower and likelihood of default

BAD GOVERNANCE AND CORRUPTION
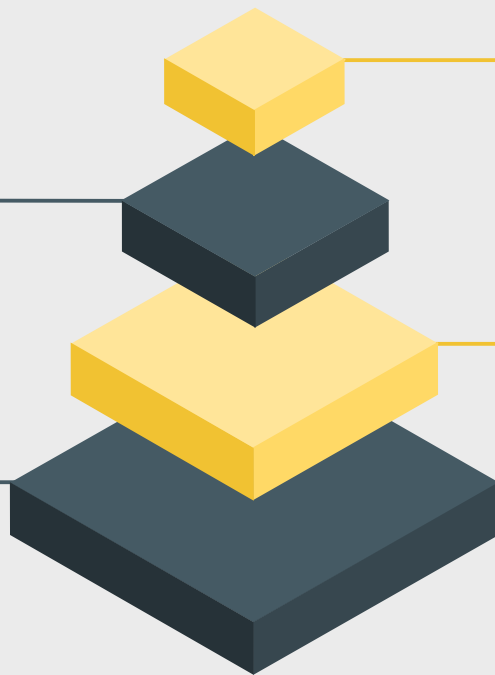
No framework in place to detect and hold people accountable which leads to widespread corruption

LACK OF COOPERATION

Banks have no trustworthy way to share data for mutual benefit without harm

STAKEHOLDERS

BORROWERS

Individuals or businesses who take loan showing some of their assets as collaterals

ISSUERS

Land Registry, National Board of Revenue and other offices who issue documents that verify the ownership of those collaterals,

LENDERS

Banks who lend borrowers loans against those collaterals based on certain conditions

REGULATORS

Government representatives like Bangladesh Banks who monitor the lending practices, quality of loans and likelihood of defaults
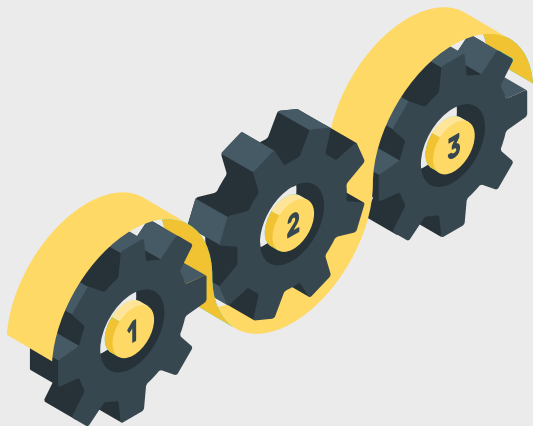
ASSET DOCUMENTATION & VERIFICATION

Issuers can document assets and verify them at borrowers request

CREDIT HISTORY SHARING

Banks share credit history of borrowers to assess credit worthiness

BLOCKCHAIN

DATA IMMUTABILITY

Asset data can be signed and recorded by owner and registry and there after remain safe from external influence

DISTRIBUTED DATA SHARING

Banks can share credit history of borrowers with other banks to establish credit worthiness of borrowers

ENFORCE TRANSPARENCY

Regulators are able to monitor the banks and their lending practices and hold them accountable if they don't follow proper standards

PARTICIPANTS

ROLES

Participate in the lending process using collaterals and return dues timely	Issue digital documents against assets and let borrowers verify their ownership	Issue loans against collateralized assets, record loans and share credit history with banks and regulators	Responsible for monitoring banks and their lending practices, prevent defaults and hold participants accountable

BORROWER   **ISSUER**   **BANK**   **REGULATOR**

INCENTIVES

|			
Get standard credit rating from the system and also verifiable immutable records of assets	Digital immutable documents will reduce their operational costs significantly and also protect them from external influence	Reduce the number of non-performing loans by issuing loans against credit-worthy borrowers following proper lending practices	Economic growth from reduction of defaults, restoring the reputation of banks and encouraging investors to invest again
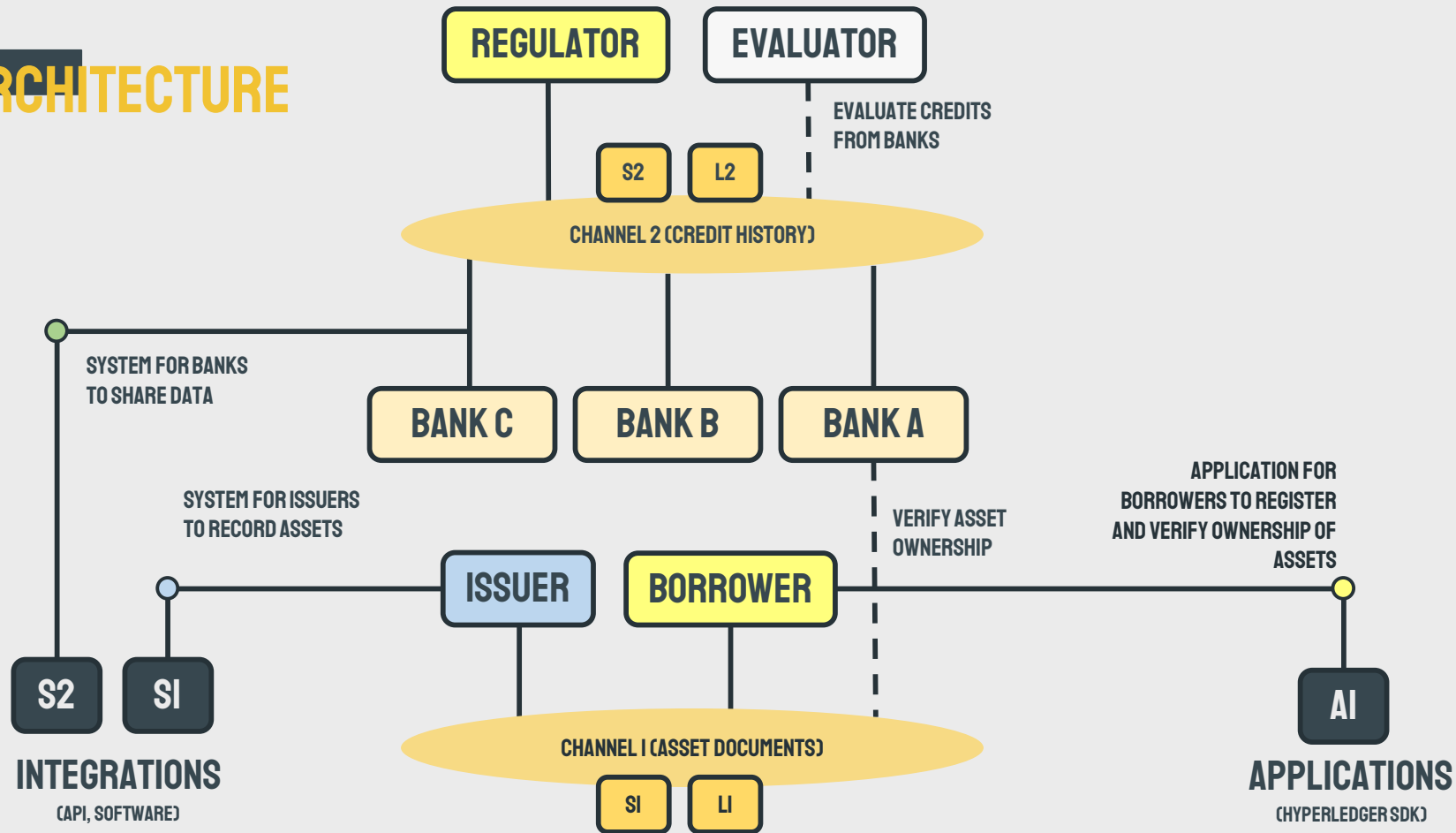
HYPERLEDGER FABRIC
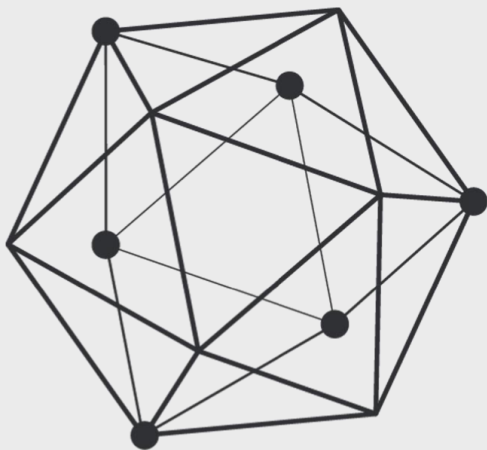
PERMISSIONED BLOCKCHAIN

Allow private data channels to ensure privacy and access control features to restrict some participants from changing sensitive data

MATURE ECOSYSTEM

Having a wide ecosystem of developers and backing of big tech companies and open source foundations like the Linux Foundation and IBM

CROSS-DOMAIN ENTERPRISE APPLICATIONS

Tried and tested for use cases like asset documentation-verification and enterprise data sharing among cross-domain entities

LENDING PROCESS

01 ASSET DOCUMENTATION
Issuer documents assets to establish ownership

02 BORROWER APPLIES FOR LOAN
Borrower applies for loans against those collaterals

03 BANK VERIFIES COLLATERAL
Bank verifies collaterals via digital certificates

04 BANK RECORDS TRANSACTION
Bank records loans on the ledger and shares them with others

05 VERIFY CREDIT WORTHINESS
Other banks can verify integrity of borrower from credit history

06 REGULATOR MONITORING
Regulators monitor these loans and holds banks accountable

ACTION PLAN

List banks currently most vulnerable to corruption

Work with 3 registries to digitize their assets to certify ownerships

Evaluate the interactions between borrowers, issuers and lenders and improve governance structure

Conduct a survey into the common types of collaterals and their registries

Work with a bank to create a system to verify collaterals and track loans on the blockchain

Onboard new banks into our network to allow secure data sharing

STRENGTHS

Ability to work on improving efficiency and collaboration without major systemic or policy changes

WEAKNESSES

Lack of existing collaborative mindset between diverse organizations

S **W** **O** **T**

Government initiatives to digitalize public services and emergence of new blockchain technologies

OPPORTUNITIES

Partners may face technical difficulties and may be unwilling to continue with the project

THREATS

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VISION AND MISSION

PEOPLE

Individuals get the ability to verify ownership of their assets and get access to a standardized credit rating system

GOVERNMENT

Government will have a lot more oversight over the government banks and enforce secure lending practices which will make the system more accountable

Thank you!