

# Axis Bank evolves from lending innovation to financial inclusion

The bank has created a co-lending model in partnership with non-banking financial companies, empowering unserved and underserved communities



**A**xis Bank is an Indian private sector bank offering retail, corporate and investment banking services. The bank leverages advanced digital technologies to drive innovation and customer-centric solutions.

Financial inclusion is a key priority for Axis Bank in its mission to meet the needs of both urban and rural customers. The bank has chosen to take an innovative route to empower communities with limited access to financial services, creating a co-lending model in partnership with non-banking financial companies (NBFCs). Under this model, the parties share the responsibility for managing the loans, which appear on both their books in a predefined ratio. The co-lending model has provided affordable credit to underserved 'last-mile' customers while improving Axis Bank's operational efficiency and profitability.

## Advanced technology

Running the complex co-lending model requires robust technology infrastructure. To meet this need, Axis Bank approached its core banking solution provider – Infosys Finacle – to scale up its existing platform to accommodate various application programming interfaces (APIs) and business cases. Several systems were integrated, streamlining operations while ensuring strict regulatory compliance; this was crucial for overcoming the various challenges of co-lending and providing a solid foundation for future initiatives.

*Axis Bank has leveraged the distribution strength of its partners to expand outreach and improve loan origination.*

The model envisaged an interesting collaboration between Axis Bank and its NBFC lending partners, which would integrate and operate through a shared service partner platform. Responsibility for customer acquisition, due diligence and KYC verification would rest with the lending partner. The platform's rule engine would decide if a case should be approved straightaway or be subjected to further review by Axis Bank. Once a loan was approved, the Finacle system would trigger various APIs – for customer identification file (CIF) creation, loan account opening, disbursement and repayment scheduling.

The implementation called for the integration of various systems, including Finacle, Enterprise Service Bus (ESB), Customer Relationship Management (CRM) and APIs, for enabling seamless data flow and real-time updates, ensuring all systems worked harmoniously. An agile development approach was adopted to enable

iterative progress, allowing the project team to prioritise features based on operational requirements and ongoing feedback. Despite challenges, such as the need to coordinate with multiple partners and complex regulatory compliance, implementation was completed within a few months.

## Benefits across the board

With this co-lending initiative, Axis Bank has not only improved financial inclusion but also gained a robust digital banking foundation to engage, innovate and operate better. The bank has onboarded about 100,000 new customers and created 83,000 new accounts, generating more than ₹500bn (\$58.5m) in business value. User experience has improved as loans are disbursed faster.

Axis Bank has leveraged the distribution strength of its partners to expand outreach and improve loan origination. Moreover, it has saved operational costs and increased profitability as the partners handle loan origination, servicing, repayment and collection. Axis Bank has also gained access to a broader 'new-to-bank' customer segment to which it can cross-sell a wide range of financial products and services.

The co-lending initiative has exemplified Axis Bank's commitment to financial inclusion and afforded it a digital foundation from which to successfully navigate the future of banking.