

How OCEN will keep credit issues at bay

SAI ISHWAR

Mumbai, 24 July

For ages, credit disbursement has been one of the most complex functions in the financial realm. For lenders, the challenge has been to identify credit-worthy customers to keep their money safe and minimise bad loans. For customers, to prove they are worthy of getting a loan, and getting it quickly, has been a constant challenge. For a small business, proving the same has been an even bigger challenge.

A lot of these challenges are expected to be solved with the Open Credit Enablement Network (OCEN, spelled as oken) — an architecture that will connect lenders, loan marketplaces, as well as borrowers onto a single platform and make access to credit a matter of minutes.

A sneak peek into how this platform works was given by industry think-tank iSpirt on Friday. iSpirt said it was still two years away from developing the complete product but said invoiced-based financing had got ready for trial.

The think-tank, in a virtual discussion, showed the protocol being incorporated into the GST Sahay platform. In total, it involved seven steps from processing to disbursement.

For availing GST invoice-based credit, a borrower is required to download a loan service provider (LSP) app.

Network to connect lenders, loan marketplaces, borrowers on a single platform and make access to credit a matter of minutes

GST Sahay app is the LSP in this case. The borrower integrates his/her GST account to the LSP. Then, the GST invoice eligible for the loan is selected. Account aggregators (who are Reserve Bank-approved new class of non-banking financial companies for managing consent for financial data sharing) share the required information, such as GST filing history and bank statements, with the lender. This could throw light on the relationship history between two parties in the invoice to avoid bogus transactions.

Lenders, who have already integrated with the OCEN platform, share loan options that customers can choose from once borrower data is processed. Once a particular loan is chosen, a borrower has to enable UPI-autopay for repayment. Again, another consent should be given for sharing of financial information till repayment. Finally, the loan is disbursed. According to the iSpirt team working to build this platform, Sahay would be the reference app for OCEN as BHIM was for UPI.

“Communication between the lenders and potential credit marketplaces (the loan service providers) will now be standardised with the network,” said B G Mahesh, co-founder of

Sahamati, a collective of the account aggregator ecosystem. “MSMEs and individuals, will be able to apply and avail sachet-sized loans instantly. The digital interface will take away the problems associated with paperwork, which will bring down the cost of processing loans.”

According to the Reserve Bank of India's U K Sinha-led Micro Small and Medium Enterprises Committee report last year, only 11 per cent of the 60 million MSMEs have access to capital from organised lenders.

Alok Mittal, founder of fintech lender Indifi Technologies, said the initiative would lay the plumbing work for innovation in lending space and benefit the entire ecosystem, similar to the recently launched e-KYC features.

The protocol aims to “democratise” lending, reduce costs of credit, and ensure accessibility of credit mall companies and street vendors, according to Nandan Nilekani, non-executive chairman of Infosys, who spoke about the initiative at Global Fintech Fest.

Top lenders in the country such as the State Bank of India, HDFC Bank, ICICI Bank, IDFC First Bank, Axis Bank, and Bajaj Finserv have already come on board to usher in this new credit paradigm.

GST INVOICE-BASED CREDIT DISBURSEMENT

1

Creation of Sahay GST Account

2

Share eligible GST invoices for loan

3

Register with Account Aggregators and give consent to share past financial info

4

Request loan offers from lenders

5

Select a loan offer and accept loan terms

6

Set up auto-repayment using UPI-Autopay feature

7

Give consent to Account Aggregator to share financial information till repayment

Source: iSpirt webinar

