Lending Software for MFIs

Digitally Transform Your Microfinance Lending with an AI-first, Unified, Low-code Platform

newgen

Overview

Microfinance Institutions (MFIs) play a pivotal role in financial inclusion. They provide small-ticket loans to underbanked individuals and groups in rural and semi-urban regions. By promoting self-employment and financial stability, they empower entrepreneurs, women-led collectives, and daily wage earners.

However, manual, paper-based processes and branch-centric services followed by traditional MFI models severely limit scalability, drive up operational costs, and slow down loan cycles. MFIs must adopt next-generation solutions that combine automation, intelligence, and mobility to drive growth and better serve their target market.

Newgen Software addresses these challenges with a comprehensive AI-first, low-code-based **Microfinance Lending Suite.** Our solutions support diverse lending formats, including **Individual Loans**, **loans to small businesses**, and **Group Loans** for self-help groups (SHGs) and joint liability groups (JLGs). Built on Newgen's unified digital transformation platform, our solutions enable MFIs to digitize and optimize the entire loan lifecycle, from onboarding to collection, while ensuring enhanced flexibility, speed, and compliance.

Key Operational Hurdles for MFIs

Despite their essential role, MFIs face several operational and technological hurdles, including:

Manual, paper-intensive processes: Manual document management, verifications, and approvals lead to delayed loan cycles and higher operational errors.

Inconsistent data capture: Rural branches often operate in isolation without real-time connectivity or integration, resulting in data discrepancies.

High field servicing costs: The requirement for extensive on-ground agents increases operational expenses and limits MFI's capacity for wider outreach.

Difficulty in income assessment: Most MFI borrowers belong to the unorganized sector, making it hard to evaluate their repayment capacity using conventional methods.

Complex group lending: The dynamics of group lending and member-level tracking demand sophisticated management systems.

Low digital literacy: Limited digital channels make customer onboarding and digital document collection more challenging.

Inadequate monitoring: Minimal visibility into borrower behavior after loan disbursement adversely impacts collection efficiency.

Disconnected workflows: The absence of centralized systems causes widespread inefficiencies and duplicated efforts.

Newgen's Integrated MFI Solution Suite

Newgen's AI-first suite of solutions, built on a robust low-code platform, empowers Microfinance Institutions to serve last-mile customers. Our comprehensive, integrated solutions are designed to transform MFI operations into a unified system, facilitating every stage from customer identification and onboarding to microloan disbursement and collections.

Components of Newgen's Lending Suite for MFIs

Stage 1: Loan Origination Software

Our AI-first loan origination software (LOS) optimizes the complete lending process from pre-screening to application processing, underwriting, and disbursal.

Key Offerings of Newgen's LOS

- Digital onboarding across web, mobile, and assisted channels

- Seamless integration with eKYC, Aadhaar XML, and DigiLocker, as well as for documents including PAN, Drivers License, and Voter ID

- AI-powered document classification and validation

- Intelligent Credit Decisioning Engine (CDE) driven by scorecards and rule-based eligibility for automated, quick underwriting.

- Automated Credit Appraisal Memorandum (CAM) generation, digital signature, sanction letters, and instant offer rollout

Stage 2: Loan Management Software

Newgen's intelligent loan management software (LMS) streamlines the entire loan process, from disbursement through servicing and closure, enabling MFIs to monitor and manage loan portfolios efficiently.

Key Offerings of Newgen's LMS

- Configurable disbursal logic with facility for split disbursal, drawdowns, and top-up loans

- Loan restructuring, deferral, foreclosure, and part-payment modules

- Automated accounting entries and integration with Enterprise Resource Planning (ERP) and Core Banking System (CBS)

- Comprehensive user access management with role-based access control and detailed audit logs for regulatory compliance

Stage 3: Collection Management Software

Newgen's robust collection management software (CMS) automates the end-to-end collection process to maximize recovery rates, boost digital resolution, and accelerate collections.

Key Offerings of Newgen's CMS

- Automated bucket allocation by Days Past Due (DPD), credit score, and geography

- Integrated payment infrastructure with Unified Payments Interface (UPI), National Automated Clearing House (NACH), Bharat Bill Payment System (BBPS), and digital wallets for collections

- Hybrid infrastructure (cloud and on-premise) to support field collectors, enabling offline mobile capabilities for geo-tagging and visit log capturing

- Legal workflow management, including repossession, arbitration, and settlement, as well as recovery under Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI)

- AI models for Propensity to Pay, Risk Ranking, and Incentive Optimization

Why Newgen is the Partner of Choice for MFIs

| Core Capabilities	What it delivers
360° Borrower Profile for Individuals and Groups	Gain deep insights by capturing personal details, family income, alternate incomes, assets, liabilities, and repayment history
Offline/Online eKYC Options	Streamline remote onboarding by using Aadhaar XML, biometric, OTP, or image capture
Geo-tagged Field Operations	Ensure real-time oversight of field activities with live status updates and visit monitoring
AI-powered Risk Scoring Engine	Leverage behavioral and transaction data to predict the probability of default
SHG/JLG Monitoring Dashboard	Keep an eye on group performance with dashboards presenting delinquency trends, maturity profiles, and collection behavior
Rule-based Document Verification and Classification	Automatically verify and classify uploaded documents and proofs using OCR and NLP
Loan Disbursement Engine	Facilitate seamless loan payouts with support for bulk NEFT/RTGS, split disbursal, and beneficiary validation
Collection & Recovery Module	Optimize recovery efforts with visit scheduling, digital payment links, incentive computation, and legal workflow (NPA, write-offs)
Regulatory Reporting	Ensure compliance with pre-built reporting formats for NABARD, RBI, SIDBI, and credit bureaus
Instant Communication	Engage with borrowers via WhatsApp, SMS, and email with automated document sharing and e-sign workflows

Newgen's MFI Lending Segments

Newgen's **comprehensive suite of solutions for Microfinance Lending** is designed to serve the diverse needs of microfinance borrowers across the full spectrum of MFI operations. Built on our **AI-first**, **low-code platform**, it allows business users to design, deploy, and update digital processes quickly without needing deep coding expertise.

1. Individual Lending:

The solution streamlines the process for small, unsecured loans offered directly to individuals, including micro-entrepreneurs and small business owners, by offering:

- Loan journey automation, from lead generation to disbursement and collections

- Seamless integration with third-party services for eKYC, PAN, Aadhaar, voter ID, and credit bureau checks

- AI/ML-driven credit scoring and risk assessment

- Rule-based product eligibility and sanction workflows
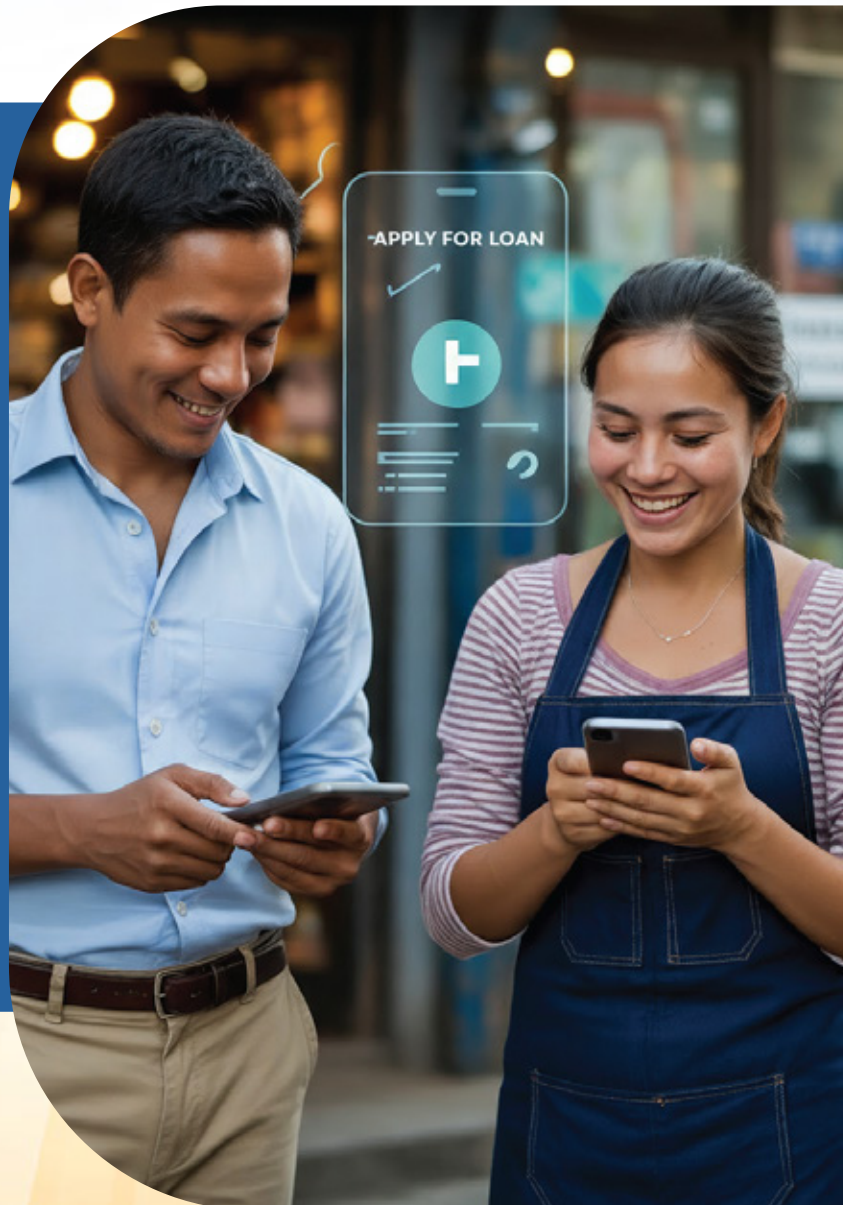
2. Self-help Group (SHG) Lending:

SHGs are important to microfinance, bringing together small groups for collective savings and mutual lending. Our platform enables MFIs to serve these vital groups by providing:

▸ Group registration, member enrollment, and savings linkage tracking

▸ Group-wise loan eligibility check based on pooled savings and contribution history

▸ Centralized repayment tracking and peer accountability model

▸ MIS and dashboards for SHG formation, loan cycles, and delinquencies

3. Joint Liability Group (JLG) Lending:

JLGs involve small groups, typically comprising 4 – 10 members, who jointly guarantee each other's loans. Our solutions offer robust tools for this segment, including:

▶ Clear structuring of JLGs, including individual member profiling and establishing group-level guarantees

▶ Liability structuring to ensure joint repayment responsibility

▶ Systematic tracking of member participation, shared risk, and recovery patterns

▶ Group-based performance monitoring, with alerts for at-risk accounts

Informal Income Assessment for MFIs: Methods Supported by Newgen

Recognizing that most MFI borrowers work in unorganized sectors and may not have formal income documentation, Newgen's solution incorporates advanced, AI-driven techniques for assessing informal income. These inputs are analyzed by AI models to accurately estimate **repayment capacity, seasonal income fluctuation**, and **debt servicing ability**, ensuring responsible lending without excluding deserving borrowers.

Occupation	Documents Considered for Credit Evaluation
Street Vendors	Daily sales estimation, seasonal sales trends, and purchase receipts
Small Retail/Kirana Stores	Monthly cash inflow/outflow tracking, supplier statements, and ledger balance
Auto/Rickshaw Drivers	Average daily earnings, fuel and maintenance costs, and trip count logs
Tailors/Weavers	Orders completed per week, payment per unit, seasonal variation
Artisans	Inventory turnover, raw material purchases, and festival-based demand
Domestic Workers	Employer validation, number of households, and monthly payment trends
Daily Wage Workers	Attendance at worksites, average wage, and location-based earning trends
Farmers (Small/Marginal)	Crop calendar, landholding, mandi price data, irrigation patterns
Hawkers/Food Carts	Daily net revenue, festival and event-based peaks, and spoilage estimation

Achieve More with Newgen's Solution Suite

End-to-End Digitization: Manage the end-to-end lending lifecycle on a single unified platform.

Rapid Go-to-Market: Launch and modify loan products quickly, eliminating reliance on long IT cycles.

AI-powered Automation: Enhance underwriting, collections, and fraud detection with intelligent scoring and advanced analytics.

Flexible Deployment Options: Ensure uninterrupted remote field operations, boosting productivity and operational resilience.

Robust Compliance & Governance: Ensure regulatory adherence with built-in audit trails and streamlined reporting.

Inclusive Customer Experience: Empower rural borrowers through quick credit, multi-language interfaces, and assisted services.

Proven Experience: Leverage Newgen's deep domain knowledge of lending systems and over 30 years of transformation experience across MFIs, NBFCs, and banks.

About Newgen

Newgen is the leading provider of an AI-first unified digital transformation platform with native process automation, content services, customer engagement, and AI/ML capabilities. Globally, successful enterprises rely on Newgen's industry-recognized low-code application platform to develop and deploy complex, content-driven, and customer-engaging business applications on the cloud. From onboarding to service requests, lending to underwriting, and for many more use cases across industries, Newgen unlocks simple with speed and agility.

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