

Garanti Bank

Automating SME originations decisioning to boost lending by 39 percent

The Leading Bank in Turkey; an integrated financial services group operating in every segment of the banking sector including corporate, commercial, SME, payment systems, retail, private and investment banking.

Challenge

Small and medium enterprises (SME) are critical to economic growth; contributing both employment and gross domestic product (GDP). To keep growing, SMEs need financing and the number of financial products in use is rising. This leads to higher competition among banks. In this increasingly competitive marketplace, the process of SME originations decision-making has become more complex, involving a delicate balance between risk and potential.

Garanti Bank's current SME originations decision-making process was largely manual. The bank decided to improve profitability by focusing on increasing SME volume while controlling bad debt. Higher levels of efficiency in new customer acquisition and credit underwriting, and assuring consistency in credit decisions were secondary objectives.

The bank recognised the need to introduce decision automation in order to achieve the profitability, efficiency and standardisation goals. Automated decisioning would be implemented in an integrated approach with fully automated credit processes, streamlined to improve customer experience.

Solution

Garanti Bank selected Experian's originations decisioning system, a rapid and robust new business decisioning system with accurate risk assessment and automation of accept and decline decisions.

Moving from largely manual underwriting to decision and process automation, flexibility of the solution would be a key factor for success, especially for the SME segment

“Experian's new business originations decisioning system has enabled us to be much more efficient in how we acquire new customers.

We have not only increased the amount of credit we lend, but have decreased our exposure to bad debt, while reducing our operational expenses.”

— Serhan Pak, SVP Credit Analytics Garanti Bank

where information used to assess a credit application varies greatly.

The bank chose the Experian system for its flexibility to manage strategies easily to enable the bank to rapidly react to market changes. Garanti Bank also liked the simulation functionality that minimises the risk of strategy changes, enabling the impact of strategy changes to be evaluated before implementing them in the live environment.

Results

The system provides a rapid and robust new business decisioning system with accurate risk assessment and automation of accept and decline decisions.

It enables the bank to implement application scorecards, strategies and lending policies to create an accurate risk assessment and qualification of applicants.

Applicants are assessed using scoring models to predict the risk of delinquency. This assessment is used to recommend a decision to accept or decline an individual

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or to refer the application for manual review by an underwriter. If accepted, the assessment is used to set tailored terms and conditions, which reflect the risk of the applicant to Garanti Bank.

The system has enabled the bank to increase the automation of decisions to 78 percent. Only cases which have special circumstances or where the level of risk is unclear are referred for manual review, ensuring a consistent application of the bank's lending policy. Automating the decision-making on routine cases enables Garanti Bank's skilled resources to focus on more complex cases which has enabled the bank to achieve increased efficiency at a level equivalent to 24 full time employees.

Garanti Bank is now more competitive in the marketplace with online decisions made faster, which has improved the customer experience and led to an increase in the acceptance rate of 39 percent.

The more accurate assessment of applicant risk has enabled Garanti Bank to reduce their exposure to bad debt, with a decrease in their non-performing loan ratio of 38 percent.

By increasing SME origination volume, better controlling credit risk, and adding process automation to reduce costs, Garanti Bank is achieving its increased profitability goals for the SME portfolio.

In addition, new Champion/Challenger capabilities enable the bank to test risk strategies in a real time, controlled live environment. This enables the bank to implement the most effective strategies without compromising performance.

Garanti Bank now has the flexibility it needs to control strategies with less reliance on IT resources to ensure the system keeps pace as the lending industry evolves.

Benefits

- Automation of decisions increased to 78 percent
- Increased acceptance rate by 39 percent
- Improvement of operational efficiency equivalent to 24 full time employees was achieved
- Decrease in non-performing loan ratio of 38 percent
- Credit utilisation increased by 140 percent