

How Arohan Financial uses digital paperwork to drive financial inclusion by making Joint Liability Group (JLG) loan disbursal faster and easier

An interview with Arvind Murarka, Senior Vice President and Head-IT at Arohan Financial Services to discuss Arohan's paper challenge - and how Arohan is solving it through digital document workflows



Introduction to Arohan

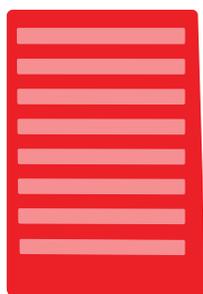
Arohan Financial Services Limited is a leading NBFC-MFI with operations in financially under-penetrated low income states of India. Started with the mission of “mainstreaming financial inclusion”, Arohan seeks to provide credit and insurance products to customers who have limited or no access to financial services.



Arohan’s target customers are women, with an annual household income of ₹2,00,000 or less in urban areas and ₹1,25,000 or less in non-urban areas. The typical ticket size of the micro loans offered by Arohan to its customers ranges from ₹10,000 to ₹75,000. Through these loans Arohan aims to have a positive impact on its customers’ lives as their products are geared towards improving their customers’ income earning capabilities.

The JLG Model

Arohan offers collateral free loans to customers who are willing to borrow in a group and agree to accept joint liability for the group’s loans, which is referred to as the Joint Liability Group Model. This JLG model enables Arohan’s customers, who typically do not have sufficient collateral (but have a good Credit Bureau record), to gain access to formal credit, and also provides them a community support system, regardless of their financial circumstances.



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MFI's : Riding the tech wave

In recent years, even a legacy industry like Microfinance has seen significant developments on the tech front.

Catching up with mainstream industries

Over a period of time, there has been a radical change in how technology is being implemented in microfinance. It's comparable now to mainstream industries, such as manufacturing, service, hospitality and tourism. Currently, in microfinance also, one can see and experience that kind of digital footprint, as we continue to adopt digitalization.

Moving towards the cloud

Mobility has seen a massive transformation. In line with SMAC - Social, Mobile, Analytics, and Cloud, a lot of applications are now moving to the cloud, and it's been not only a significant transformation but also a natural progression because with mobility one will expect access to information, anytime, anywhere!

Building the MFI tech ecosystem

When I had joined Arohan, hardly any technology company were catering to this industry. With time the industry has gained significance and now, there are many organisations providing tailor-made technology solutions catering to the microfinance industry. The decision now lies with the microfinance organisations to take a call on whether the services are viable for their growth stage. The adoption of the right technology plays a crucial role in the long run.

Arvind Murarka, Senior Vice President and Head-IT, Arohan Financial Services

The Importance of Paperwork for Arohan's JLG loan operations

Before Arohan could disburse JLG loans, it had to get multiple paperwork executed by its borrowers:

- Loan application
- Mutual guarantee form
- Bank statements
- Loan agreement
- KYC documents
- Insurance Documents

But it gets more complicated. Arohan disburses JLG loans. This means:

- Multiple borrowers for each transaction - this means multiple signatures are needed at different places from different people on the same documentation
- As per RBI regulations, all such documents need to be stored for at least 7 years.

This is a document-heavy industry; here multiple people including borrowers and co-borrowers sign the same document.

- Arvind Murarka, Senior Vice President and Head-IT, Arohan Financial Services

Arohan's paper based JLG documentation process was costly and time consuming



1 Arohan's field agent visits the customer's house to conduct verification, fill out her loan application, check her KYC documents and Credit Bureau (CB) report.



2 The agent returns with the documents to the closest branch office.



4 The loan underwriting process is carried out by the Branch Head at the branch office.



3 Group training at the customer's house or in the vicinity - where the entire loan journey is explained to the customer and her group.



5 On the day of disbursement, an Arohan employee at the branch prints the set of loan documents.



On any given day, we disburse loans to around 30-35 customers per branch and for each of them, the entire set of loan documents need to be printed before disbursement. So technically, one man day, per branch, would actually get spent doing just that.



Arvind Murarka, Senior Vice President and Head-IT, Arohan Financial Services



6 On the same day, the customer has to travel all the way to the branch office to sign all the loan documents. The branch head checks if all the documentation is in order and then the loan amount is finally disbursed to the customer's account.



Sometimes, customers have to spend over half a days time to travel to and from the branch for signing the documents.



Arvind Murarka, Senior Vice President and Head-IT, Arohan Financial Services



7 Documents are manually verified for correctness at the Regional Office



8 Once every week, the documents pertaining to all the loans that have been disbursed are brought to the central office in Kolkata from all the regional branches, where the documents are again checked for completeness.



9 From the central office, the documents are then transported thrice a week to a third party storage facility where the documents are kept for at least a period of seven years.



We cater to 720 plus branches. The Regional teams receive completed documents from the branches, verify them and in turn send them to the Central Office for the final round of checks, before the documents are moved to the central warehouse for storage. This is a massive exercise for the Central and Regional teams.



Arvind Murarka, Senior Vice President and Head-IT, Arohan Financial Services

This paper process had serious implications for Arohan's field force and its customers



Borrowers were losing their daily wages



The distance to the branch office for the customers can be up to 20-25 kilometers. In rural areas, it is not easy to travel that distance. Sometimes, customers have to spend over half a days time to travel to and from the branch and waiting at the branch to sign the documents which mean they have to forego a part of their daily wage.



It bogged down Arohan's teams



At the branch office

Technically Arohan would suffer a loss of around 700+ man-days on the day of disbursement because one person would require one entire day to print all these documents and keep it ready before the customer arrives at the branch. We operate out of 720 odd branches today. So those many man-days will be calculated as loss as we disburse almost every day. Here, these activities draw heavy costing.

At the Central and Regional Offices

We have employees at the Regional, as well as Central Offices to check and re-check the documents to ensure their completeness. These processes also add up to man-days that are lost.



It was costly



We incur a lot of costs when it comes to transportation and storage of these document sets for seven years. Additionally, we also incur costs on printing, paper, and cartridges.



Retrieval of documents became a logistics hassle



We need documents post-signing for audit and bank-related purposes. We have to ensure retrieval of any document, as may be required by the RBI, with a request raised to the third party storage facility.



Arvind Murarka,
Senior Vice President and
Head-IT, Arohan Financial Services

Given these serious business implications, Arohan set out to find a digital solution to its paper problem

Any digital solution had to be accessible on the ground



Adaptability, training, and ensuring the communication is transparent at the ground level are the challenges that we seek to address at the field level. It is as important to train the field employees to adapt to the changes as it is to adopt digital solutions because our field employees are the face of Arohan for our customers.



The solution also needed non-Aadhaar based eSigning options



While we were looking at the possibility of getting digital signatures or Aadhaar-based signature facilities implemented in the field, we also understood that it would require the customers to have their updated phone numbers linked to the Aadhaar number, which in reality would be a challenge.



Why Arohan Chose Leegality over other solutions



While we were evaluating various solutions, Leegality came out to be the best option because of the flexibility the platform offered in terms of customizing the solutions.

Our goal was to have this facility work for the field and for this, the platform required to:

- Be easy to use for people on the ground to quickly adopt it,
- Be time-saving for our field employees,
- Ensure that our field employees do not have to print paper and courier documents.

So, any digital solution that saves time for the field force and increases productivity adds a lot of value - and that is how Leegality came into the picture.

Leegality is extremely flexible and the product is easy to use. Once we started working on it, the process became very quick and its adoption was scaled across all the branches of Arohan.



Arvind Murarka,
Senior Vice President and
Head-IT, Arohan Financial Services



Arohan's new digital JLG loan process

Arohan's field agent visits the customer's house to conduct verification, fill out her loan application, check her KYC documents and CB report.

The agent returns to the closest branch office.

Arohan's field officer conducts group training. Because of the digital flow - Arohan has the option to execute most of the documentation via Leegality at this stage itself on a tablet. A live face capture is also done via Leegality.

The loan underwriting process is carried out by the Branch Head at the branch office.

Arohan's field officer sends the signing link to the customer for any pending documentation - calls them up and tells them how to sign it

Customers eSign the documentation. The fully signed document is sent to both, Arohan and the Customer instantly. It is also stored in Arohan's DMS instantly.

“ In the customer segment that we cater to, all our customers may not have a smartphone. For such customers, sending them a signing link would not have worked for us. To address this, we use Leegality through an assisted model allowing the loan officer to get the documents signed immediately on a tablet device during their visits to the customer. Thus, the customer need not come to the branch at all. ”

“ Earlier, if we wanted to get a document signed by a customer even those who have a smartphone, the field officer would have to visit the customer and get the documents signed. Now, with the new platform, our loan officers can just call our customers and ask them to sign on the link sent on their phones. This has been the biggest change in the process. ”

“ The signed documents automatically go into our Document Management Server (DMS), where they are stored for future reference. In case of need, the same can be quickly retrieved. ”

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Senior Vice President and Head-IT,
Arohan Financial Services

“ Internet availability might be a challenge in certain geographies we serve. So those are the places where we may go for a hybrid model. But still, we are doing eSigning for **95 percent of the cases today.** ”

Arvind Murarka,
Senior Vice President and
Head-IT, Arohan Financial Services

The business benefits of Arohan's new Leegality-powered digital document process



Saves borrowers time and money



Save time

As mentioned earlier, it's not easy for our customers to travel up to 25 kilometers in rural areas to reach our branch offices, for signing the documents and waiting for the loans to get disbursed into their accounts. The digital paperwork platform helps our customers save time and avoid the hassle.

Save money

If you offer the customer the option of signing the document kit from home, and they have a smartphone, then they will prefer that option always. With our customer segment, if they have to make a trip to our branch then they have to forego part of their daily wages. So, the digital paperwork process saves them money and not going to the branch is a great option for them.



Saves valuable time

The entire process saves us at least half a man-day, every day across 720 branches. This results in saving of about 350 man-days per day across Arohan branches - one can imagine its multiplier effect over a months span.



Makes Arohan's teams happier

Our employees are extremely happy about the new digital JLG loan paperwork process as it saves them time and energy. As a result of the pandemic, we have been facing various on-ground challenges in the field pertaining to collections. Today, with the intervention from Leegality, our field employees can spend more time enabling collections while also sourcing new customers.



Cuts costs

The digital paperwork process has resulted in a considerable amount of operational expenditure savings on printing, paper, cartridges, transportation, and storage costs.



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Digital document workflows have given comfort to Arohan's compliance teams

Zero risk of file loss



In our industry, one can become non-compliant even if one loan file goes missing and that comes up as a legal case. With this intervention from Leegality, we are assured that whatever is disbursed, is being signed electronically and is then stored in the Document Management Server for future references, and can be retrieved as per need. This makes the work simpler for the Compliance Department as well.



No more mistakes

The digital paperwork process ensures that all the paperwork is correct, completed and stored for future reference.



100% visibility of all details in each transaction



The platform provided to Arohan by Leegality captures live images, geo-coordinates, phone details, and IP addresses of the customers when they e-sign a document. All these pieces of information are available and stored in the audit trail. This makes the work simpler for the compliance team.



FEATURE SPOTLIGHT: LEEGALITY FACE CAPTURE

Arohan doesn't use Aadhaar eSign yet. Instead they use Leegality's Secure Virtual Sign option. To ensure security and compliance, Arohan uses Leegality's face capture for all their transactions across India.



We are not using Aadhaar eSign but are using virtual sign, which is basically an OTP-based signature imprint. But going virtual can also put us in a blind spot. To address this concern, Leegality provides us with a Face Capture facility which ensures that it is indeed the intended customer who has signed the document. We have enforced 100% face capture through this platform.



Leegality face capture works at scale - in low bandwidth scenarios



Normally, in rural geographies, capturing an image and uploading it may become a challenge due to internet issues. But, with Leegality Face Capture, we have not faced any challenge in uploading images even in areas with low internet penetration. This is because of the low bandwidth usage which is a plus point of Leegality Face Capture.



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How Leegality's team made a difference

Extremely smooth LOS integration



The onboarding process with Leegality was not difficult at all. Right after we finished testing on the sandbox ID, going live was not a big challenge. Creating the templates and rolling the system out with our LOS was very smooth and quick.



Quick and seamless adoption



It's very easy to get onboarded onto and start using the system. It has been easier for Arohan because we already have a LOS system in place. For our field force, it takes only a couple of hours of training through learning materials such as videos and manuals to get an understanding of the system and get started.



Continuous guidance in developing workflows



The Leegality team provided active support in defining the workflow. This is a document-heavy industry; here multiple people including borrowers and co-borrowers sign the same document in addition to the signing of insurance documents. Creating templates for each of these and rolling them out with Leegality hardly took any time.



Super-fast troubleshooting



One day we started getting calls from our field officers reporting some technical issues in the platform. We contacted the Leegality team who responded very quickly and resolved the issue in a couple of hours time. We haven't faced any challenges since.



A shout-out to Leegality's support team



The key factor which sets apart one company from the other is the value-added services that it provides how quickly they can respond to calls and resolve issues is critical. This can only be achieved through a strong back-end support team. Thumbs-up to the entire team of Leegality for that! They have done a fantastic job and have really been there for us.



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This is what a digital transformation of Arohan's paperwork looks like

<h2>Arohan's old customer onboarding process</h2>	<h2>Arohan's Leegality Powered Process</h2>
<p>Customers were losing hard earned money: Customers had to travel 20-25 kilometres and lose at least half a day's earnings to come to the branch to sign the loan documentation.</p>	<p>Happy customers: Customers can now remotely eSign their loan documents without travelling to the branch - ensuring they don't lose any daily wages in the process.</p>
<p>Shackled by paperwork: Employees had to devote significant time in printing and organizing the loan documentation</p>	<p>Liberated from paperwork: Arohan's field force and central teams can now focus more productively on other key tasks - like improving collections</p>
<p>Accessing documents was difficult: Retrieval of documents from storage was a slow process</p>	<p>Documents are just one click away: Arohan's documents are easily accessible on its DMS</p>
<p>Increasing costs: Arohan had to pay costs of storage for 7 years. It also had to pay for printing and transportation costs</p>	<p>Save on costs: No more storage costs. No more printing and transportation costs.</p>
<p>Prone to Mistakes: Manually entering data led to mistakes in documentation. Which led to spillover compliance issues.</p>	<p>Zero Mistakes: Documents are auto-populated via Leegality's Template Engine - leaving no room for errors</p>

1000+ top Indian Companies are using Leegality to build digital flows for their paperwork



Are you ready to join them?

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Product demo tailor-made for your use case

We'll give you a FREE sandbox account right away