AI & ML: Catalyst & Facilitator for the Finance Function

Ridhi Gangar - Chief Financial Officer, Tata Motors Finance, reveals technology-led initiatives to enhance the finance function:

Ravi Lalwani: What were the most significant cost differentiations identified in terms of business, particularly during the pandemic?

Ridhi Gangar: The pandemic, despite being devastating and brutal, does have a silver lining. On the plus side, the cost to income, which is a critical parameter for NBFCs, improved as we implemented digital initiatives and invested in developing digital platforms. This helped us improve efficiency while allowing people to work from home. These implementations also substantially lowered the cost of infrastructure, travel, and other overhead expenses.

A significant step was having a very strong digital engagement process with all stakeholders. It wasn't enough to just have work done; keeping stakeholders bonded and engaged with the larger team was a strong action area as well. And digital platforms stepped in to save the day by making it more cost-effective. A series of large-scale and small-scale online meets were conducted on regular basis to ensure the same.

What upgrades have been made in the accounting and finance software considering the pandemic-related issues? Were these done in-house or with the aid of partners?

We implemented a few changes in our accounting and finance systems to tackle the issues arising due to the pandemic. During the first wave, the RBI introduced several measures to help the customers. One such initiative was the moratorium offered on March 27, 2020, and we were among the few first NBFCs to roll it out in a very short span of time by April 1, 2020. Our customers were able to apply for the moratorium through a link shared via SMS, over WhatsApp, and through the company's website. We incorporated the same into our SAP ERP system as well. With the support of our in-house team, it was developed in no time, and we were able to pass on the benefit to most of our customers with ease.


Ridhi Gangar

Similarly, the government's second move was the ECLGS loan, which was also rolled out digitally by our team. From the point of customer's loan application to loan disbursement, including the agreement sign-off, customer consent letter, etc, end-to-end was done online. As far as IT, automation, and system development are concerned, the pandemic proved to be a blessing in disguise. We developed quite a few innovative software that would not have been conceivable without the circumstances created by the pandemic.

What were the WFH-related issues faced by the accounting and finance team of the company? How were they overcome?

As an NBFC, we were meant to have plans in place for BCP and DR drills in the event of exigency. The first wave provided us with the opportunity to adopt BCP and DR immediately, allowing us to transition the treasury, accounting, tax, and finance function to a WFH model. We also arranged for the infrastructure required to deliver the documents to banks, which may not seem important but became critical during the period for completion of any transactions.

Audits, year-end closure, and regulatory compliances were executed by the team while working from home amidst the pandemic. The extent to which this was doable with ease and that we possess the capabilities became a realization only once we switched to WFH. We were able to determine the pre-requisites to ensure 100% control, which was applied so as to meet all regulatory obligations, which was possible by implementing the right digital strategy and proactively identifying and resolving the challenges.

How are AI & ML improving the finance function? Is the company developing solutions in-house or procuring solutions from vendors?

In terms of the financial function, AI & ML may act as a catalyst and facilitator for bringing in customer inputs that are required for sourcing and collection, particularly in the NBFC sector. It assists us in analyzing customer's credit assessment, thereby supporting us in estimating the appropriate amount of credit losses to carry and the risk-based IRR or differential IRR that needs to be charged to a particular customer, in turn supporting NBFC in making the lending business more profitable than it is today.

Secondly, AI & ML can enable us in improving the collection process by predicting customer behaviour based on various data points available, containing credit losses by anticipating delinquency, and taking the appropriate steps well in advance, to deliver profits and improve shareholders' returns.

Previously, organizations sought to outsource such technical development mainly because of the significant cost reduction. Today's motivation is more strategic in nature, and it has to do with gaining access to top talent and cutting-edge technology. These days, solution providers collaborate closely with in-house teams to provide optimal services.

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