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HUBS**

- **Automated Sales Incentives:** Lending institutions are seeking to adopt AI/ML-powered incentive automation to optimize salesforce & collections performance. Dynamic commission structures, real-time tracking, and granularized performance-based rewards are being used to motivate DSAs (Direct Selling Agents), loan officers, and bank sales teams, driving efficient sale of financial products, even as they need to remain compliant with evolving regulatory changes.

Traditional credit scores often exclude underserved populations. In the coming years, how will alternative credit scoring models bridge this gap?

- **Beyond Traditional Scores:** The retail credit and MSME lending ecosystems are increasingly using alternative credit models to assess borrowers without formal credit histories. FinTech platforms leverage transactional data, location intelligence, employment patterns, and digital spending behaviour to extend credit beyond conventional credit bureau-based assessments.
- **AI/ML & Behavioural Analytics:** AI/ML models analyze location intelligence, spending habits, payment patterns, and psychometric factors to assess an individual's financial discipline. Some lenders use risk profiling to gauge a borrower's creditworthiness, enhancing loan

accessibility for underserved populations.

- **Embedded Credit in Digital Ecosystems:** E-commerce platforms, digital wallets, and ride-hailing services are integrating embedded credit solutions, allowing users to access pre-approved loans based on transaction history.

With rapid changes in regulation, especially concerning data privacy, FinTechs, and digital payments, what regulatory challenges will impact the BFSI & FinTech industry?

- **Data Privacy Compliance:** India's DPDP Act introduces stringent consent-based data usage rules, forcing FinTechs to **redesign AI-driven credit assessment models** while ensuring compliance with data privacy norms.
- **RBI's Digital Lending Framework:** **RBI has tightened regulations** around digital lending, mandating that only regulated banks and NBFCs can disburse loans. This directly impacts AI-driven lending models and incentive-based loans.
- **Standardization of AI in Credit Decisioning:** Regulators may introduce guidelines to ensure fairness and transparency in AI-driven credit assessment. Addressing **biases in credit decisions** and ensuring that automated systems do not discriminate against certain demographics will be a key challenge for FinTechs.