Govt. testing 'big data' system to aid banks assess credit risks

The government is testing a new system that will assist banks in assessing credit risk and the probability of fraud using big data analysis. The system is expected to help lenders, particularly rural and cooperative banks, tackle the issue of rising non performing assets (NPAs).

A credit rating model has been developed "that can assist the rural and cooperative banks to quantify risks under the big data context," according to an internal note of the Ministry of Electronics and IT. "Currently, rural and cooperative banks depend on judgement of the bank manager, resulting in high NPA," the ministry observes.

The ministry sponsored project includes as partners the Reserve Bank of India (RBI), Bangalore-based IT firm Processware System and two cooperative banks.

A senior government official, who did not wished to be named, said the project is aimed at helping banks quantify risks associated with retail loans such as gold loans, personal loans and vehicle loans. Under the project, a statistical and machine learning algorithmic model has been developed to predict the probability of default with an aim to reduce NPAs. "A model has also been developed for predicting different types of frauds in the banking sector based on RBI guidelines," the official added.

Web-enabled software

A web-enabled software is also being tested, which when implemented will assist the banks to easily adopt the models for credit rating, non-performing assets and fraud. Validation of the models has been done using data from several banks.

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