

How **FINBOX ACCOUNT AGGREGATOR** doubled conversions and eliminated fraud for lenders





Introduction

After spending nearly six years in the making, India launched the account aggregator framework in September 2021. It promised data privacy, superior fraud detection, ease of access and integration, and standardization of financial information.

The ecosystem would consist primarily of financial information providers (FIPs), financial information users (FIUs), and tech service providers. The account aggregator themselves would act as data-blind custodians of this information and relay it.

Six months and an endless number of speculations later, as an early adopter, we at FinBox witnessed the successes and limitations of the framework first hand. We assessed its performance along these primary criteria –

- Adoption
- Conversion
- Fraud prevention

Adoption

As per the latest data from Sahamati, the self-organized industry alliance for the account aggregator ecosystem, close to 170 FIUs and FIPs are at different stages of going live on the AA ecosystem. Among these are some of India's largest banks and NBFCs. The participants include private sector heavyweights like –

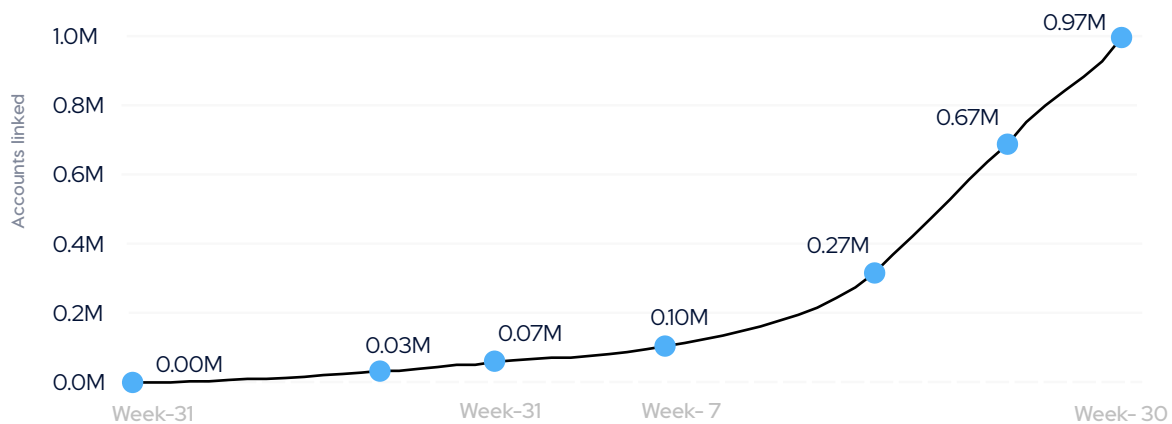
- Axis Bank
- Federal Bank
- HDFC Bank
- ICICI Bank, and
- IndusInd Bank



As many as eight major public sector banks (PSBs), including State Bank of India (SBI), have joined the account aggregator ecosystem in some form or the other. The remaining four are in the testing phase.

The number of people linking their accounts with account aggregators is also steadily rising. As of the first week of July, 0.97 million accounts had been linked.

Cumulative Accounts Linked through Account Holders



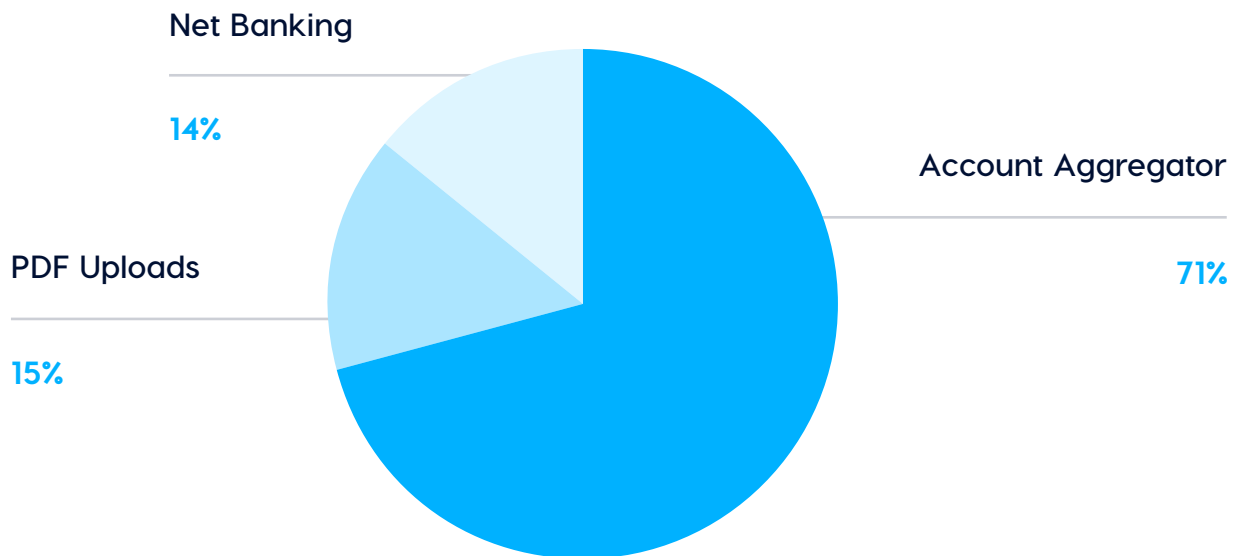
Now that we've established some context regarding the overall adoption of AA by financial institutions and account holders, let's dive into the more granular details of its usage.

We analyzed six months of FinBox's proprietary data around loan applications that were received after we went live with account aggregator. Here's what we found –



Given a choice between sharing financial data like bank statements with manual uploads, via net banking credentials or through account aggregator.

Borrowers overwhelmingly chose AA when available



As many as 71% customers of AA-enabled banks elected to give access to account aggregators to fetch their financial data from banks. Manual PDF uploads made up 15% of the total bank statements sourced, a close second. Net banking attempts lagged behind at 14%.

This can be attributed to the fact that customers are wary of sharing their credentials to sensitive financial information.

Net banking has been part of the application process of our original BankConnect product. We noticed that a number of customers have always been reluctant to share their credentials, indicating hesitation to adopt a more technically advanced method.

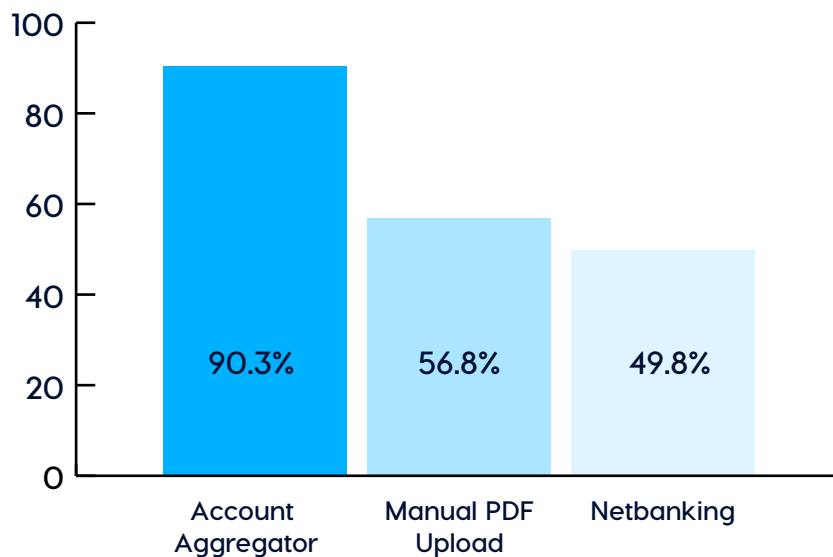
However, they embraced our account aggregator capability in big numbers. It can be concluded that it is not that customers are not tech-savvy, but that they value data privacy.

Account aggregator wins not because of seamlessness (offered also, to an extent, by the netbanking option), but because it guarantees security of user data.

Conversions

Of all the modes of sharing banks statements, account aggregator saw the highest conversion rate among our customers. As many as 90% of people who used account aggregator went on to finish their loan applications.

AA reduced dropoffs by ~ 2X compared to other options



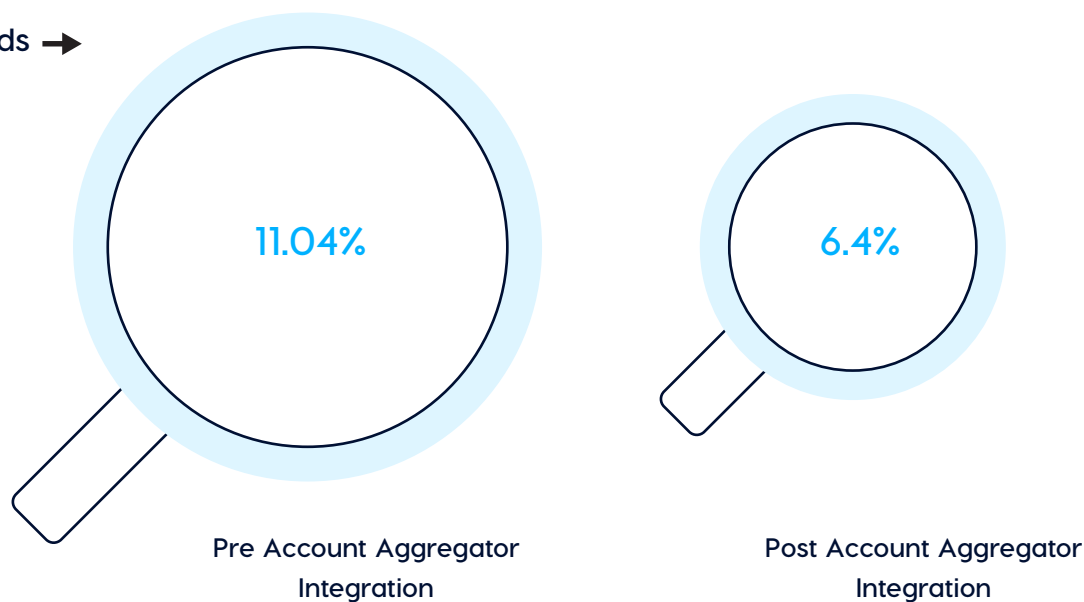
The conversion rates for manual PDF uploads and netbanking stood at 56.8% and 49.8% respectively. They simply enter their phone number and approve the request for access, and the AA fetches the required information automatically.

Account aggregator takes the lead in conversions because unlike the other modes, it doesn't interrupt the journey by requesting the user to take a certain action.

Fraud prevention

In the six months preceding our AA integration, the percentage of fraud financial statements stood at ~ 11.04% . However, in the following six months, as more customers chose AA to share their financial information, the overall instance of fraud declined sharply. We detected only ~ 6.4% of fraudulent uploads between December 2021 and April 2022, from the total bank statements received.

Frauds →



Frauds reduced by ~ 45% post AA implementation

It acquires bank statements right from source and eliminates any scope for tampering. Paired with FinBox BankConnect's comprehensive document checks, our account aggregator functionality has made fraud detection even more robust.

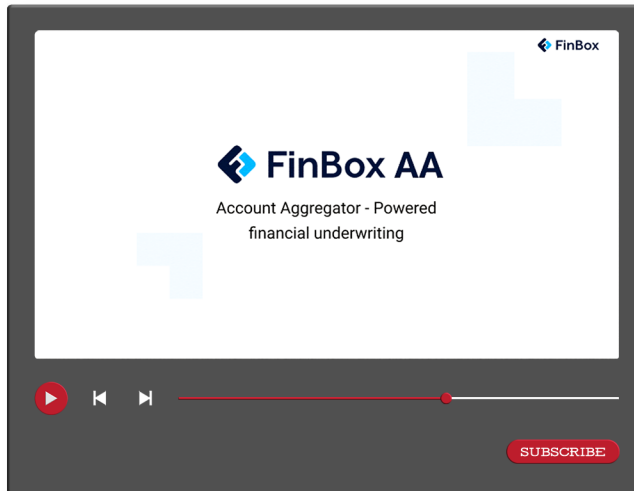
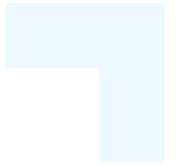


To sum up

We saw a higher uptake of account aggregator among loan applicants than any other method of financial data sharing. Moreover, AA applications saw up to 10% better conversions compared to other methods. Finally, the incorporation of AA into our application process helped reduce the instance of fraudulent bank statement submissions by around 42%.

There is ample evidence to suggest that the account aggregator framework will usher in a UPI-like moment for financial data aggregation in India as more banks are going online with it. However, such a future depends solely on customer inclination to adopt the framework.

Lenders can nudge their customers to embrace the account aggregator framework by stepping up customer education. The communication can be designed to highlight the goal behind the account aggregator framework – empowering the end customer to place the agency over their data squarely with them.



Watch the video
here



At FinBox we are building the Embedded Credit Infrastructure of the future. We provide full-stack API and SDKs for businesses to embed credit products into the platforms, and connect them with a diverse network of lenders.

Reach out to us and empower your customers with in-context credit through a simple, yet powerful integration.