

AsiaCollect proves debt collection can be intelligent instead of intimidating



Tomasz Borowski, CEO and Founder of AsiaCollect, a Singapore fintech startup which is digitally transforming the heavily manual debt collection process in Asia using data and AI



Samuel Abraham

Debt collection in Asia typically involves small time agencies using hostile calls and physical confrontation to get debtors to pay back their loans to banks and other financial institutions. Since long, this field has been bereft of innovation. Asking someone to pay back his or her loan is never easy. At the same time, each unpaid loan represents a near-perfect one-to-one opportunity cost. The bank, financial institution or fintech could have used the same money to lend capital to another consumer who might have repaid it promptly.

Non-performing loans (NPLs) are a threat to both a financial institution's bottom line and everyday operations. Introducing radical innovation in the loan recovery process is a

Singapore fintech startup, AsiaCollect, which is trying to eliminate hostile physical action by using a Software as a Service (SaaS) solution and specialised services that leverage data and artificial intelligence (AI). AsiaCollect's CEO and Founder **Tomasz Borowski** tells **International Finance** in an exclusive interview how the fintech intends to digitally transform the regional debt collection industry which has been bound up with strong legacy practices.

International Finance: The debt collection process in Asia has a lot of physical touch points and sometimes it involves hostile actions by collection agents. In terms of technology, what is the difference that AsiaCollect is bringing to the market in Asia?

Tomasz Borowski: The debt collection industry in emerging Asian markets is typically still managed by small, provincial collection agencies that do not have adequate resources to invest in proper infrastructure and systems, and rely heavily on manual phone calls and traditional field collection by which unqualified agents use hostile and intimidating methods to recover debt. This poses a huge reputational risk to the banks and non-bank lenders that use these agencies.

We saw an opportunity in using advanced technologies such as machine learning (ML) and AI to transform the way debt is collected and managed, drawing from my experience running the operations at a large retail bank in Eastern Europe.

International Finance: An important difference of AsiaCollect compared to other CMS companies is that it buys the NPLs of financial services organisations. How does this model work and what does AsiaCollect do with the purchased NPLs?

Tomasz Borowski: Our integrated credit management suite includes outsourcing and advisory in debt management – this is what is typically offered by other collection agencies as well. As you mentioned, we also purchase unsecured consumer non-performing portfolios. In the first case, we get in touch with originators which are not necessarily banks – they can be finance companies, fintechs, and other lenders. We manage collections on behalf of our clients. This is usually for a period of three months. We are more like a service provider, while the case is still on the balance sheet of the lender.

In the second case in which we purchase portfolios, we become the owner of those loans. So, the loans are transferred to our balance sheet and we can start performing loan collection actions as AsiaCollect becomes the new owner of that debt. Keeping in mind the type of loan or portfolio we purchase, we can work on it for three or four years depending on the model we use.

Before we purchase the portfolio, we have to evaluate each single debt from different angles and based on the estimation, we prepare the offer price. We spend quite a lot of time on analysing all the portfolio details – this mainly depends on the case, and can last from a few days to a month. We analyse the portfolio using our purchasing model. The purchasing model is fed with the information on portfolios that we have previously worked with.

Each portfolio we analyse has hundreds of characteristics that we check, such as demographic data and behavioural history, and we take note of them. Following the analysis, we check how the clients with similar characteristics previously performed and whether there is a possibility of recovering debt from them in the future. Grouping such debtors into homogeneous groups and estimating the potential recoveries and costs for each group ends with sending the offer.

Once the portfolio is purchased, the process is automated – we upload the portfolio on our platform, apply the strategy that best suits the portfolio and our system executes all further actions.

International Finance: What is the process you follow to bid and evaluate the NPL portfolio to achieve the best results for all parties involved?

Tomasz Borowski: With regards to bidding, we need to take into consideration what would be the extent of our investment into this process. This means we need to look into all the actions we will need to perform on the debtors, how much it will cost, and what could be the potential recovery from the portfolio. This way, we will also be able to offer a pricing to all our clients. Then we sign an agreement and transfer the data. After that, we select and apply the strategy that is the most efficient for a portfolio with such characteristics.

One of our differentiating factors is our local experience in working with different portfolios and customising individual strategies. These strategies are constantly challenged by alternative strategies applied simultaneously to find even more efficient ways of higher recoveries: a never ending, champion-challenger approach.

International Finance: Could you describe with an example how AI and ML come into play in AsiaCollect's CMS solution?

Tomasz Borowski: AsiaCollect Credit Management Services (CMS) solution is fully driven by Data and AI. AI and ML play significant roles in our solutions in all aspects: we use predictive calling to improve the efficiency of our agents. We have built ML models to predict the best timing, channels, and strategies to reach the debtors to increase the recovery rate and to ensure an enhanced experience for the debtors. We use deep learning models to convert voice-to-text with support for multiple Asian languages to automate our quality control process. We are researching and experimenting with more exciting AI features such as emotion recognition and psychological profiling.

International Finance: AsiaCollect's target is to make the debt recovery process in its Asian markets completely automated. Do you think that eliminating the human touch points in debt recovery in a market like Asia is feasible and how will you achieve it?

Tomasz Borowski: I'm not sure the market has reached a stage now where the operators can be fully replaced. But, I strongly believe that in three to five years from now, this will be possible. Currently, we are trying to minimise the human involvement in the collection process by using interactive voice response (IVR), e-mail and SMS campaigns as well as letters. Our integrated solution for call centre agents is equipped with the dynamic scripts: Using the internally developed voice-to-text model, we analyse clients' answers so that in the

future, we can replace our operators, who currently read the scripts displayed on the monitor by the system, with virtual agents.

International Finance: For banks in Asia that are used to physical collection of debt, moving to an AI and ML-based system of recovery with behavioural analysis is a major cultural change. How will AsiaCollect work with banks and financial institutions to bring them to the point of using such third-generation debt recovery solutions?

Tomasz Borowski: I agree that sometimes originators believe that physical contact with the borrower is the only powerful way of collecting debt. We are trying to convince the financial institutions to give us a chance to prove that despite the ease with which debtors can change their SIM cards in the region, we can still reach their clients without conducting field visits by using our cutting-edge technology. We have helped almost 50 lenders minimise their losses on outsourced portfolios, amounting to managing over 265,000 loans every day.

International Finance: AsiaCollect acquired CreditSeva in India. What are your targets for the India market and what is the strategy that you will use to achieve the target?

Tomasz Borowski: Previously, we were focused on expansion in Vietnam and Indonesia. We are still exploring the Indian market and trying to find the best expansion strategy. Large BPOs and hundreds of collection agencies are already in the market, but I believe the market in India is large enough to accept a new player – one that is AI-driven and focused on digital collections. Currently, we are focused on offering a smart agent SaaS solution and convincing originators that debt collection is possible without field collection.

International Finance: The markets that you have chosen for your debt collection system, be it Indonesia, Philippines, Vietnam or India are some of the hardest regions to collect debt. What inspired the group of European entrepreneurs behind AsiaCollect to focus on these markets?

Tomasz Borowski: The reason why we reach out to those markets is not because they are the hardest to recover, but because of the very early stage of the automated collection industry in those markets that provides us the opportunity to accelerate digital transformation. I am really interested in transforming the early stage markets, professionalising the collection activities, and helping the borrowers to be more responsible and financially literate. Of course, one of the key factors is market size and growth potential of the markets we have already entered.

International Finance: How do you visualise technology transforming the credit management services market in Asia in the next five to ten years and what role does AsiaCollect plan to play in it?

Tomasz Borowski: I strongly believe that our example will help other professional collection agencies to expand to South Asia while accelerating the transformation from manual, inefficient, and people-driven high-risk collection practices to digitalised collection, without reputational risk for lenders and threatening borrowers.

Also, I see ourselves being more active in working with industry players (lenders, collectors, and regulators) to make professional, responsible debt collections the norm. We have already started working with industry associations in Indonesia, Vietnam, and India.

International Finance: In terms of rules and regulations are there any challenges that you face for your CMS in Asia and how do you plan to overcome them?

Tomasz Borowski: I don't see any obstacles in particular, but in India, for example, we are required to obtain an expensive licence for purchasing debts. From a cost perspective, this is mitigated by a much lower cost of the same in Vietnam.