



Significance of Soft Data in Investigation

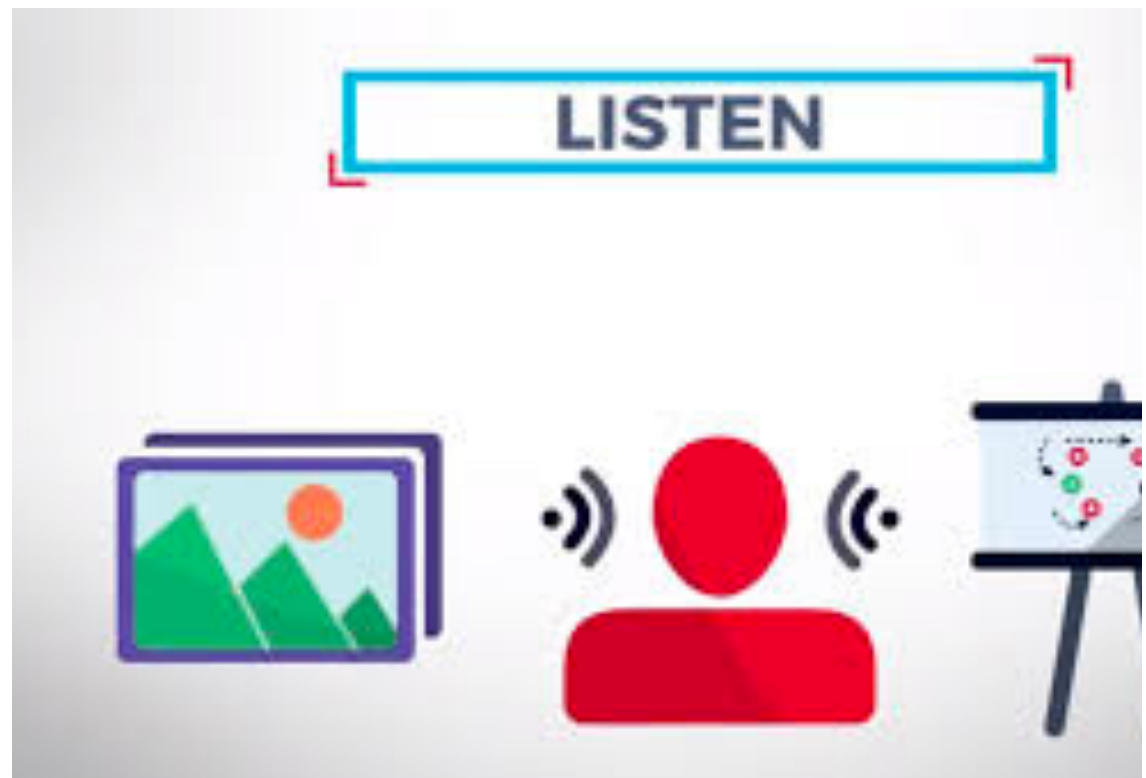
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Hard Vs Soft Data

- Information is a fundamental component of all financial transactions and markets,
- Information arrives in multiple forms
- Certain information are difficult to summarize in a numeric score, as it requires knowledge of its context to fully understand,
- It also becomes less useful when separated from the environment in which it was collected
- Such information is called as “soft information”



Peculiarities of Soft Data

- Numbers Vs Text - Unlike in soft information in Hard information receiver knows all the data that sender knows
- Importance of context is relevant for Soft information.
- Soft information is Private and not verifiable, it cannot be captured or compared
- Its difficult to pass soft information because it can't be replicated
- Soft information depends on Judgement and understanding of the person seeking such information

- This is peculiar nature of soft information therefore hardening of soft information needs to be done.



Soft Data

- Distance between borrower and bank official if not reasonable is red flag
- Effective communication of information is important as people collecting information are different from people taking decisions.
- Detailed knowledge about client's business is key to take actionable decisions to prevent early mortality of business



Non-Financial Ratio

Some Metrics

- Capacity of the firm's operational space
- Square feet of operations
- Manufacturing space
- Floor space
- Warehousing space
- Number of retail outlets
- Number of facilities
- Number of stores
- Annual capacity in tons and energy-producing capacity
- Factors deemed to reflect capacity, such as gas reserves, distribution dealers, and number of product lines



NFM – Conclusions

- Research provides evidence suggesting that fraud risk assessment models that incorporate NFMs are better than those only incorporating only Finance Model
- Understanding the Industry where borrower operates and incorporate NFM will give a potent tool in hands of Investigators and Regulators
- Substantial differences between financial statement data and NFMs should serve as a red flag
- Research needs be conducted to devise benchmark and industry wise NFM ratio to lobby with the regulators.



Technology Aided Tools – Food for Thought

- Social Media Profiling of the Accused or Borrowing entity
- Search of Meta Data and detailed Business references to be checked online as well as offline
- Web Crawlers can be used to have information about the Business
- Open-Source Intelligence to check the brand noise and flutter created by the business.





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