

# Algorithm to approve personal loans in HDFC Bank's retail push

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**Mumbai:** With most of this year's loan growth expected to come from the retail segment, HDFC Bank has devised a strategy of using algorithms to approve personal loans, completely doing away with credit officials. The bank now promises to disburse loans to its customers online, around the clock and without any paperwork.

Unlike the conventional process of researching a borrower's credit history, the bank has installed a software that continuously scans each of its savings accounts, tracks the cash-flow patterns and corroborates its finding with the borrower's credit score. This data backup coupled with analytics has enabled the bank to deploy

## BORROW AT A CLICK

➤ The bank has installed a software that continuously scans savings accounts and corroborates results with a borrower's credit score

➤ A borrower applying for a



loan online can get a sanction within 10 seconds of filling the form

➤ The system works only in cases where the bank already has a customer's data

straight-through processing of personal loans without human intervention.

"This will change the way in which retail lending is being done in the country," said Arvind Kapil, head, unsecured loans, home and mortgage loans at HDFC Bank. He said while the bank was always using analytics for sanctioning small-ticket loans, this is the first time that such lending will be possible without any bank

official 'eyeballing' the application form. All that an account-holder has to do is to click on a banner on his home screen once he logs in and the application form will pop up. So when a borrower applies for a loan online, he can get a sanction within 10 seconds of filling the form, which would partly be pre-populated with data the bank already holds.

For most private banks, credit growth in FY15 has been

powered by a growth in retail lending. Most banks are reporting corporate loan growth in single digits and not seeing much of a credit offtake this year. "The consumer finance industry has been growing at 15-16% so far. It is expected to grow at 18-20% over the next five years. HDFC Bank's personal loans business has been growing at 25-30%. In the future, if it has to stay ahead of the curve, it needs to create efficiencies by digitizing its operations," said Kapil.

The process of digitizing the back-end not only makes it easier for borrowers, it also creates efficiencies within the bank. The downside of using computer programmes to sanction loans is that it can be done only in cases where the bank already has data.