

HDFC Bank exec: This is how future of digital banking looks like

The digital revolution is upon us and touches every aspect of our lives, including banking.

Nitin Chugh, Country Head - Digital Banking, tells Nazim Khan and Santosh Nair how technology is changing the face of banking.

How banking may look like in future

The two-three most promising areas where digital advances could revolutionise the customer experience are artificial intelligence, chatbots and personalization. Internet of Things is another area where some form of banking transactions could take place. Connected devices, equipped with biometric capabilities, could help enable transaction banking. Service offerings that combine these technologies could make banking very different from what it is today. For instance, you could have a device -- say your mobile phone -- from where AI gathers information of your spending habits or preferences or location, makes sense of the information and drives banking decisions. For instance, in a pilot project (after taking customers' consent), we undertook a trial where we would match a customer's phone location using triangulation with the location of the ATM where his debit card is being used for a transaction. If the customer's phone was found far away from the ATM, the system would decline the transaction, with the assumption being that the customer normally carries his/her mobile phone to the ATM. Such hyper-localization can be tested in several areas: security, transactions, marketing. Imagine a future where a customer has browsed through a website/app for booking a movie ticket, and then proceeded to go to the mall where the cinema was located. If the customer has reached early, the system knows the customer has free time. The cinema may have a tie-up with its neighbouring coffee shop and sends him a message with a customized offer to spend time there! A number of technologies would have come together to make this possible.

Will digital make physical bank branches obsolete?

The role of the branch is likely to undergo a change. So branches will continue to exist in order to take customers through the digital process. We are making our branches digitally-enabled. So whatever you can do online, you can go to a branch and do with the help of the relationship manager.

Digital initiatives that HDFC Bank is undertaking

Our bank has undertaken several initiatives to change the way the relationship works between the bank and customers. We have undertaken steps on lending, payments, transactions, communication, data analyses as well as in-house, in terms of training our employees to understand how banking works in the digital world. All of these offerings are meant to ease the way the customer interacts with the bank. We have been closely monitoring trends that have emerged in the fintech (financial technologies) and startup space to keep looking for ideas how we can improve our offerings. We are working with a lot of fintech startups to bring in solutions that we can offer to our customers. The impact of these initiatives is showing. Ten years ago, the share of Internet and mobile banking transactions [as a percentage of total transactions] stood at 13 percent. In FY13, it stood at 44 percent, in FY14, it was 55 percent. In FY15, the number was at 63 percent. Last fiscal, it has gone up to 71 percent. The share of branch transactions today has gone down to 11 percent. Last year, we launched the 10-second personal loan where pre-approved customers get funds credited into the bank accounts within 10 seconds of filling up their applications digitally. That was setting a benchmark of digital. We also introduced a recharge-on-missed-call feature that allows our customers to recharge their prepaid mobile phones on the go.

The impact of Unified Payments Interface

The Unified Payments Interface is a great step towards democratising payments. A lot of large payments, government payments, e-tendering, contracts have become digital. But UPI will allow everyone to participate and come into the digital economy. Since UPI is based on IMPS, it will encourage a lot of fintech companies to build several solutions on top of the interface.