

## How HDFC Bank's Digital Drive is Helping to Outpace its Competitors

A comprehensive digital strategy has enabled the bank to process loans and other products at a faster pace and without compromising on quality



**O**n the stock market, HDFC Bank's stock commands one of the most expensive valuations. But that has not stopped investors—domestic and international—from buying more. What is it about the bank that investors want more and more of this bank? The bank has a record which has not been matched by any of the

world's 200 biggest lenders—an annual profit growth of a minimum of 20% every year since 1998. Analysts believe that the bank is well placed to maintain this pace till 2017.

A major part of the firm's continued success is the sustained investment in technology, which allows it to significantly automate some of its major processes. One of the best examples can be seen in the personal loan mar-



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—Nitin Chugh

Sr Executive Vice President and Head - Digital Banking, HDFC Bank

ket. The bank recently launched a product that allows it to process loans in just ten seconds. Many other media reports say that the response on the first day was so huge that the bank ended up disbursing personal loans of an average size of ₹3 lakh a minute.

#### EMBEDDING ANALYTICS EVERYWHERE

Unlike the traditional process where the bank's staff researches and reviews a borrower's credit history, HDFC Bank has a software solution that continuously scans the cash flow patterns of the borrower and matches it with the credit score of the borrower. Using analytics, the bank then can enable processing of personal loans without human intervention. So, when an account holder clicks an offer that he gets on his home screen when he logs in, an application form pops up. As most details are pre-populated by the bank in the form, the application holder has to just apply for the loan online, and he or she can get a sanction within 10 seconds of filling the form. This offer is currently available for salaried customers of whom the bank has data.

"We use a lot of analytics to customize and personalize the experience for our customers, and we try to repeat the same experience across different channels—be it the Internet, call center, ATM or the physical branch itself," states Nitin Chugh, Head-Digital Banking, HDFC Bank. Using data that is available with the bank can give the offer of a personal loan to a customer who is physically present in a bank or withdrawing money at the ATM.

Experts believe that this will change the way retail lending is being done in the country, as HDFC Bank will have faster capability to roll out loans without taking undue risks. The bank itself believes that the digitized loan product can help it improve its productivity and cost efficiency by 25%.

#### SMARTPHONE AS A BRANCH

With over 75 banking transactions allowed on HDFC Bank's mobile app, the bank has taken a big step towards transforming the smartphone into a branch. The app can also perform essential transactions such as booking fixed and recurring deposits, making bill and tax payments, or buying insurance and mutual funds.

The bank also recently launched a mobile app called Chillr, which allows users to instantly transfer money to any contact in their phonebook. "With Chillr, you can make payments of small value transactions. The potential is huge as the sender does not have to face the hassle of adding beneficiaries before transferring money," states Chugh. For example, you could use Chillr to pay your local grocery person. Similarly, parents can send money to their children who are studying away from home. One more mobile app called PayZapp allows customers to use a single mobile application for all their financial transactions. For example, customers can transact online on eCommerce sites such as BigBasket or MakeMyTrip, recharge their mobile prepaid cards, or send money instantly to anyone in their phone list or email list.



This huge push towards the Internet and mobile platforms has certainly helped, as 63% of all transactions at the bank were conducted through digital channels (which includes mobile) for FY 2014-15. This percentage has been steadily increasing, as the corresponding figure in FY 2013-14 was 53%, in FY 2012-13, it was 44%, and in 2011, it was just 3%.

The bank continues to innovate and keeps on looking for opportunities where it can add more delivery channels for the convenience of the customer. For example, the bank became one of the first banks whose mobile application was available on the Apple Watch. It was one of four lenders in the world to have such an app.

The digital strategy of a bank like HDFC Bank is a case study in itself as it shows how a bank can maintain profitability consistently in tough markets. The impact of the bank's digital strategy can not only be seen in the steady

percentage gain of the transactions done through digital mediums, but also from the catalyst effect which it has on customers who interact with the bank.

For example, loan processing is typically slower in rural areas, as most of the times the approvers sit in the headquarters or in the main metros. HDFC Bank is using digital mediums to change this completely. Using digital mediums, loans can be approved quickly. Quicker approval of loans with the desired quality checks means that HDFC Bank can command a bigger percentage of the market. A digital strategy not only allows the bank to process loans or other products at a faster pace, but also more importantly at a lower cost and with greater accuracy.

When you look at the fact that more than 65% of Indians still live in semi-urban and urban areas, and couple this with the fact that many of them have smartphones, you can visualize the market opportunity that HDFC Bank has.