



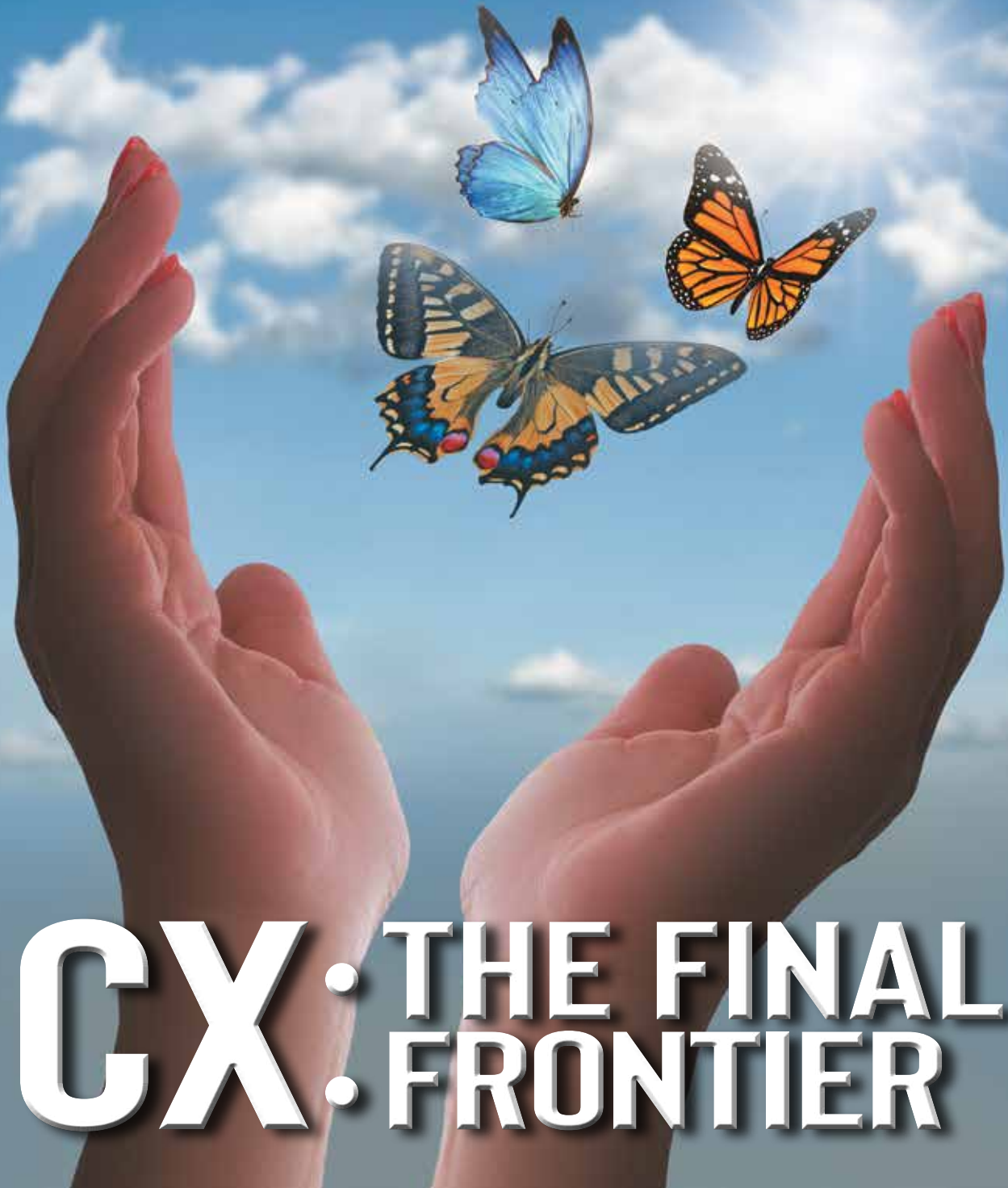
Vol. 18 No. 11 March 2020 ₹75

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BANKING FRONTIERS

March 2020 - Vol. 18 No. 11

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Published By

Glocal Strategies & Services

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Tel: +91-22-29250166 / 29255569
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Printed & Published by Babu Nair on behalf of Glocal Strategies & Services and **Printed at** Indigo Presses (India) Pvt Ltd., Plot No. 1C/716, Off Dadoji Konddeo Cross Road, Between Sussex and Retiwala Indl. Estate, Byculla (E), Mumbai 400027.

Editor: N. Mohan (Responsible for selection of news under PRB Act)



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The Biggest Risk

While many risks stir up the market, the coronavirus has shaken it, and shaken it badly. Not just the market, but the entire world's economy. Not just the economy, but tourism and education and conferences and parties and everything else. I would not be surprised if next we hear of elections being affected as well.

The coronavirus death toll of 4635 as of 3 March is miniscule compared to deaths from other causes such as road accidents, food poisoning, murder, etc. Yet, the panic from this virus is unprecedented. Thankfully, mankind is smart enough to control this pandemic, future pandemics, and also many other big risks.

What I worry is how mankind will handle risks for which it is not smart enough. Clearly mankind is not infinitely smart. One risk that is top of mind for everyone is war, which can escalate to nuclear war and kill millions and billions. No amount of smartness is known to be able to solve this problem. Another risk is climate catastrophe. Here too, the smartest people are unable to visualize a solution, forget about implementing it. You can imagine many more such mega-risks.

Does this mean that we are in the same situation as dinosaurs – are we doomed! I believe that beyond smartness, we still have one more tool for risk management, and that is wisdom. Wisdom is the intangible smartness that we have accumulated over thousands of generations. One of the first principles of wisdom is that prevention is better than cure. I see mankind so obsessed with cure that hardly any attention is being paid to prevention. Why do our leaders ignore prevention? Well, it is precisely because prevention has its costs and no popular leader will get elected for this unpopular objective. Climate catastrophe is a notable example!

So, where is our wisdom lacking? I see that mankind's progress has made us increasingly anthropocentric - we have become largely focused on and obsessed with people and have minimized our attention to other important things out there. What are most people interested in - himself, herself, relations, friends, enemies, celebrities, politicians, etc. Media and social media narrow our attention further. How many people watch Discovery Channel or read Nature magazine?

The narrow focus on people, money, technology and data has become mankind's biggest risk, and particularly the financial sector's. We are so obsessed with zooming in, that we are ignoring the perspectives offered by zooming out. Widening our focus will be the wisest risk mitigation measure. The coronavirus was a preventable disaster that should open our eyes.





Banking Frontiers launches the 2019-2020 coffee table book that reflects the achievements of the cooperative banks in India, and also presents highlights of the discussions at Frontiers of Cooperative Banking Conference (FCBA 2019), along with in-depth analysis of important topics relating to the cooperative banks in India by industry stalwarts.

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Statement of Ownership
Form IV [See Rule 8]

1. Place of Publication	: Mumbai
2. Periodicity of Publication	: Monthly
3. Printer's Name	: Babu R. Nair
Nationality	: Indian
Address	: 101, Snowden Peak, Neptunes Living Point, LBS Marg, Bhandup (W), Mumbai 400078
4. Publisher's Name	: Babu R. Nair
Nationality	: Indian
Address	: 101, Snowden Peak, Neptunes Living Point, LBS Marg, Bhandup (W), Mumbai 400078
5. Editor's Name	: N Mohan
Nationality	: Indian
Address	: F-102, Raj Legacy -1 CHS, LBS Marg, Vikhroli (W), Mumbai 400083
6. Name and Address of Individuals who own the newspaper and partners or share holders holding more than 1% of the total capital	: Manoj Agrawal 3/46, Sector 6, Vashi, Navi Mumbai 400703 Babu R. Nair 101, Snowden Peak, Neptunes Living Point, LBS Marg, Bhandup (W), Mumbai 400078

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March 1, 2020 Sd/-
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Sweden may debut E-Krona



Sweden may become the first country in the world to issue a central bank digital currency (CBDC) as the country's central bank Sveriges Riksbank has started testing its digital currency E-krona. The currency is intended as an alternative to cash

and is aimed at making payments, deposits and withdrawals simpler via a mobile app. The central bank issued a statement saying it is reviewing the possibility of issuing a digital complement to cash, an 'E-krona', and whether it could support the Riksbank in the task of promoting a safe and efficient payment system. It added that E-krona would also reduce the risk of the krona's position being weakened by competing private currency alternatives.

China to destroy or disinfect virus exposed currency

The People's Bank of China said it would destroy cash collected by hospitals, buses and markets in the coronavirus affected areas in Guangzhou to curb the spread of the contagion. The central bank has ordered all paper currency with high exposure to the outbreak to be withdrawn or destroyed or disinfected. Commercial banks in the region were told to place banknotes from infected areas aside, clean them, and hand them to the central bank. The outbreak of coronavirus has led to some 2000 plus death in the country and some 70,000 people are infected. The spread of the disease across the world has prompted economists to lower their expectations for global growth and almost all central banks in the world are in the process of initiating measures to prevent major collapse of their respective economies. The People's Bank of China said high temperatures or ultraviolet light would be used to disinfect bills and store the cash for more than 14 days before placing it back into circulation.

India's top court strikes down RBI order on cryptocurrency

India's Supreme Court has struck down a circular issued by the Reserve Bank of India, directing banks not to deal in transactions involving cryptocurrency. The central bank had in April 2018 issued a circular barring banking and financial services from dealing in transactions involving virtual currency or cryptocurrency such as Bitcoin. This circular was challenged before the Supreme Court by Internet Mobile Association of India (IAMAI). A bench of the Supreme Court consisting of Justices Rohinton Nariman, S Ravindra Bhat and V Ramasubramanian issued the order striking down the directive of the RBI and allowed the petition on the ground of proportionality. The petitioners had contended that cryptocurrency is like a commodity and is not a currency, as the name suggests and therefore the RBI ought to have treated it as such. Cryptocurrency does not face a ban from the RBI and the circular in question had only barred banking services from "providing any service in relation to virtual currency".

Russia issues framework on tokenization

The Central Bank of Russia has formally proposed a legal framework for tokenization and at the same time it has also sought to describe cryptocurrency transactions as suspicious activity. The central bank said in a statement it had successfully piloted a platform that allows users to tokenize assets, including equities and currencies, and issue them to investors. It now proposes to use the platform as a framework in the country's upcoming cryptocurrency law, which will act as guidance for legitimate businesses wanting to tokenize assets. There are also suggestions that CBR should be updating bank guidance on what constitutes criminal activity.

2 new wallet companies in Saudi Arabia

The Saudi Arabian Monetary Agency (SAMA) has granted license to 2 more digital wallet companies, BayanPay and HalalaH, bringing the number of authorized payment companies to 4 in the financial technology sector. BayanPay and HalalaH had been part of SAMA's regulatory sandbox. Now, they have successfully graduated after meeting the stringent guidelines and safeguards set by SAMA. The two entities will now be able to provide digital wallets, eCommerce and SME business payments gateway solutions in Saudi Arabia.

New A\$ 100 notes soon



The Reserve Bank of Australia is bringing out new \$100 bank notes. The bank intends to make these notes as part of the Next Generation Banknote Program. It is expected that the new banknotes will be released in the second half of 2020. The new notes will feature Sir John Monash and Dame Nellie Melba as a token of recognition of their contributions to the society. Sir John Monash was an engineer, soldier, and civic leader and has been a prominent figure in the building-construction industry. He was instrumental in building the Shrine of Remembrance – which features on the bank note – in his hometown of Melbourne. Dame Nellie Melba was an internationally renowned soprano who performed in Australia, Europe and the United States in the late 19th and early 20th century. In addition to performing, Melba made important contributions to the arts through teaching at the Melba Memorial Conservatorium of Music, now the Melba Opera Trust, in Melbourne. As with the previously released denominations, the new bank note includes representations of Australian flora and fauna.

Fintechs creating niche products for corporate banking

Manish Kothari, senior executive vice president & business head - Corporate Banking at Kotak Mahindra Bank speaks about trends in business, technology and fintech partnerships:

Kotak Mahindra Bank has created segments in corporate banking for better and sharper focus. It has segments for large corporates and for SME companies with turnover below ₹500 million. It also has a special team that focuses on MNCs. It has recently created a new team that focuses on the new age companies like Amazon, Flipkart and Oyo Rooms.

Ravi Lalwani: There are reports that some 96,523 cases involving a total amount of ₹375 billion have been disposed at the pre-admission stage of Insolvency and Bankruptcy Code 2016. While recovery rates have increased from 26.5% in 2018 to 71.6% in 2019 in procedures under this law, the time taken in recovery too has improved from 4.3 years in 2018 to 1.6 years in 2019. What are your expectations about the likely range of these numbers for 2020?

Manish Kothari: Procedures under the Insolvency and Bankruptcy Code will see more positive results in FY2020, but only if the economy picks up and we see some signs of improvement on the real estate side. There is a lot of collateral in the SME space in terms of resolution, which is industrial, commercial or residential commercial collateral. Some of these from resolution point of view will get linked. That is how the economy starts growing, leading to greater demand for industrial, commercial and residential collateral.

What kind of risks have declined and what risks have increased in corporate banking this year?

The governance is becoming better primarily because Insolvency and Bankruptcy Code has a resolution mechanism for the banks. In general,



Manish Kothari expects AI & ML will play a bits-and-pieces role in credit decision-making and also enabling end-to-end transaction processing

corporates prefer to be far more open and transparent with the banks now as compared to initial times. So, from these perspectives, the risks for the banks would improve in general. From a sectoral / segmental perspective, different sectors / segments are facing their own share of challenges or they are seeing their own share of growth and consolidation. From the banking point of view, people who are far more organized and who are better governed will clearly see more opportunities from the perspective of growth and lower risk from bank point of view. The companies which are not really shaping up in terms of better governance or not getting more organized will face more risks from bank perspective.

Which sectors have you increased and reduced your exposure to in the last 12 months?

As a bank, we are generally sector agnostic and we believe there are good and bad customers in every sector. It is a matter of how you are selecting your customers and building your business. There are lot of opportunities available in all the segments.

What is the role of AI & ML in making a difference in corporate banking?

Artificial intelligence and machine learning both have a role to play in terms of improving credit underwriting and managing the overall business in terms of cost efficiency. They are the important tools in corporate banking and are used in different ways. For example, for the small ticket loan, we use analytics, artificial intelligence and machine learning tools to predict the customer behaviour and defaults based on available data of the customers. The GST and IT return data helps banks for customer evaluation.

There are several processes that end up using AI and ML – such as bank statements, analysis of the documentation and backend processes. ML plays a key role in terms of robotising or making the process completely machine driven, rather than driven by the people. These technologies are playing their roles in bits and pieces in decision-making as well as in how you process the end-to-end transaction and they improve efficiency and credit underwriting for doing business.

Retail banking is going into overdrive with using social media data. What data types or data sources do you expect to transform corporate banking?

Use of social media data is still in the early stage. In fact, some of the fintechs use social media data for credit

underwriting. However, social media data is not the actively used in the banking system at present. In the current scenario, I don't think social media data has a lot of information which is useful for taking decisions related to credit and cross selling of products in corporate banking. In the future, there will be rules formed under data privacy and there will be meaningful ways in which this data can be used for cross selling and credit underwriting.

Briefly describe your initiatives for leveraging fintechs for corporate banking. What is the progress in improving products, processes, risk management, CX, etc?

Fintech players play a very important role in terms of being integrated with innovations. Banks will work very closely with fintechs to offer integrated products or better products. Today fintechs offer supply chain / collection & payment product solutions which are very interesting - like C2FO, Freepay, etc. As a bank, we have tied up with these fintechs to offer integrated collection products to our customers. There are many fintechs that are creating niche products and addressing specific need gaps of corporate customers and they will invariably work along with the banks. As a bank, we too have tied up with these fintechs to offer their products as a part of our integrated transaction banking service solutions to our customers.

Has the bank added any new services or products to take advantage of the better visibility, control and shorter payment cycle to its customers?

We have recently launched 'Smart Collect' as a product, where we provide a single window MIS in real time to our customers across all types of connections, whether it is cash collections, cheque collections, RTGS, NEFT, IMPS, etc with comprehensive data for reconciliation of receivables. We will continue to innovate in payments, collections and trade services.

Blockchain has emerged an interesting technology for trade finance and many other segments within corporate banking. Is your team working on blockchain projects and what is the progress?



Kotak Mahindra Bank's Smart Collect product offers real time MIS to customers

These are very early days for blockchain technology in the Indian scenario; I would not say that blockchain is something which has really caught in a big way. It is something which all banks recognize as a great area to work together and ensure that we can offer products to customers because there is clearly ease of movement of collection and payment side in terms of using blockchain as a product.

The present need is for large banks to participate and come together to create a blockchain platform, which can then be showcased to corporates for integrating their supply chain on the platform.

What are the areas within corporate banking where you would wish to see a revolution with innovations and fintechs? What is in your wish list?

Analytics helps to better serve the customers. So also, innovations should serve the end customer in taking better credit decisions and improving the efficiency of their processes and/or in improving the efficiency of their customers business. At the moment, I see innovations happening in bits and pieces in all of these areas, utilizing technology channels like AI / ML, etc and at some stage leading to enabling of end-to-end digital transaction processing by banks.

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Newer forms of security threats



Steven Totman
MD, Financial Services, Cloudera

Summary: There are new security threats emerging in and around the financial services industry and the industry must devise new ways to combat them



A tsunami in payments systems



Navin Gupta
MD - South East Asia and MENA, Ripple

Summary: Ripple is now engaged in various activities in the payment ecosystem and is creating a tsunami of payments.



From Experiential Transformation to Competition Next

MDs & CEOs of 5 leading BFSI companies participate in a CEO Panel Discussion at Finnoviti 2020 conference. Edited excerpts:

Mrutyunjay Mahapatra, MD & CEO, Syndicate Bank

Gone are the days to speak about the user and customer experience. There should be some differentiation. The main challenge for organizations is not about thinking customer experience, but where to start, how to go about it and how to quickly deliver it on the ground. At Syndicate Bank, we focus on defining use cases of customer experience and where the customer experience can be taken forward. For example, spend analysis is an integral part of our internet banking and it helps in recommending the next best product for the customer based on their profile analysis and their income.

Should we take 20 data points from the customer? Or can we take 10 data points from different public ecosystems that are available and then integrate into our recommendation engine? The customer must give some minimum amount of data, and the rest is either predicted or gathered by the system. Unlike millennials, the older generation employees are not good at technology, and this has repeatedly been proven in my experience.

An organization stands on 4 legs - people, process, technology and governance. If anyone of the legs becomes weaker, the other one will come down to the level of the weaker one. How we are managing things is important. Differentiation like innovation must happen in 3 frameworks, just like innovation. There are incremental differentiation, platform differentiation and disruptive differentiation. Platform differentiation is like Amazon or SBI YONO, were you build a platform for multiple services that are to be delivered in a predefined way.

Rishi Gupta, MD & CEO, Fino Payments Bank

When we started our bank 3 years



Panelists at the CEO Panel Discussion

ago, our focus was on what we do for our customers. We realized that we are targeting ₹200,000 – ₹600,000 annual income household customer segment and we had to build customer experience models for them. Fino Payments Bank built a very rural focused channel because that was something we realized is more relevant from our customer segment perspective. To build a completely digital model would not have been appropriate for this customer segment. So, we built the phygital model, which is a mix of physical and digital platforms. We are trying to give our customers the advantage of both physical and digital mediums.

India is a very different country and our culture is enshrined in us. We have a culture of assistance; everybody needs assistance in some form and so do our customers for doing a banking transaction. To provide this experience of assisted services, we built a phygital model with a big network of merchants. We also have a digital footprint and the customer, through the merchant,

will be able to get the assisted digital banking services. Our customer experience has been built on convenience, simplicity and reliability. Convenience relates to much closer to their home or office, simplicity relates to easy to use app or platform for doing the transaction in a very intuitive manner, easy KYC process and reliability relates to any transaction going through in a safe and secure manner.

When we started, we never thought we will build a network of 150,000 points; we saw many twists in our customer experience model. We never thought that millennials will be our customers, but 60-70% of our customers are millennials in the age group of 25-30 years. We thought only a very few people will take debit cards, but nearly 90-95% of our customers are using debit cards. We thought our customer segment will not be comfortable using smartphones for banking, but nearly 40% of our customers download our app and are using it. We must marry physical and digital and that's where the phygital became relevant to us.

The biggest problem that lots of companies face, is that they feel that they understand their customers and they try to build products that they feel the customer needs. So, if the customer needs Maruti then there is no point in selling Mercedes to him. Therefore, we must first hear the customers about their needs and requirements, and what their desires are.

For example, when we started bank account services, we realized that most of our customers don't understand things like minimum balance requirements, transaction charges, money transfer. Our customers are not Amazon or Uber kind of customers. They are still not spoiled by choice, in fact, they don't have a choice and we are there to give them some choices. Banking is very complex to them, we realize that people want to open a bank account, but they don't want to travel far. They don't want to stand in the line and do multiple trips to the bank to open an account, so we came up with a subscription bank account. Named 'Shubh', it is one of a kind in the country. We charge minimum fees to the customer for this account, which includes debit card. There is no balance requirement, no transaction limit, no ATM withdrawal constraints, etc. We have opened 100,000 Shubh accounts in a month and 95% of the customers are using debit cards along with it. We have received good responses from the customers for this account and they are happy as their complexities of minimum balance are taken away by the bank. We had understood our customer requirements and designed the products as per their need.

Manish Jaiswal, MD & CEO, Magma Housing Finance & SME Business

We have 500,000 live customers and every month we get 12,500 new customers onboard. When we started, we asked a question: what is our complaint ratio? It was that incredibly good 99.93% of our customers were happy. Incidentally, when we meet the customers, we sensed a certain level of numbness. The officer staff or cashier at the branch barely have time to look up to the customers, they would just go about collecting cash and not even talk to the customer. Whenever I post something on LinkedIn or Twitter, I receive customer



Mrutyunjay Mahapatra making a point

complaints. I think the realization that we are numbed as a firm, accepting in all humility that our customer was semi urban-rural has a feeble or a meek voice that does not reach us, as we are too busy to listen to him. That was the first realization. From numbness, our journey moves towards listening to customers. We made outreach to 22 states in 10 languages over the last 3 years which actually increased the complaint ratio from 1 in 1000 to 10 in 1000. Then we figured out that we had 137 processes, and among them there were 40 broken processes.

After that we went into the product life cycle and started reconstructing and we figured out many issues of culture sensibility, service orientation, and technology integration. Our cross-sell ratio was about 4%, means if you do business of ₹600-700 million of loans in a month, then ₹30 million is the disbursal. By an act of listening and fixing 37 processes today, we disburse at the same ratio, but we have increased by ₹150 million. We receive 100,000 emails from semi-urban customers in Hindi. We are now planning to listen and serve the customer. So, there are many things I am doing in our housing finance business - for example in PMAY Scheme, you apply for the loan and the customer gets the subsidy quote for a house loan. Then our front-end employee gives a box of sweets to the customers and after that you will see the tears in the customer's eyes. So, emotion and connectedness and passion genuinely can drive customer service. We are collaborating with fintechs and banks, and we are talking about co-origination

with the banks. We are also working with smaller fintechs in the current markets. The game is shifting fast - more we realize the benefits the more we see the results.

Out of 500,000 customer queries, 40% are as mundane and as basic like: What's my account balance? What is outstanding? The customer should get this information before asking for it. Over the last 9 years, we have 50,000 customers and 217 merchant points. In our digital transformation project 'Navuday' in which customers put information in a template, then automatically you can sense a customer is graded at level A, B, C, D or E. And if he is in A or B, there is loan approved, and if he is in D or E, the loan will be rejected automatically. It cuts down the turnaround time from 4 days to 15 minutes.

Two years ago all our people were monitored on a number of logins, number of dispersals number of cheque bounces, essentially asset quality, and business parameters. After every service, we ask the customer what the service scale of RM is. We have discovered that our service scale on a scale of 5 is 3.13, our goal is to reach to 4. Listening to the ultimate customer is important. We are still in a stage of incipience and there is a long distance to cover in our customer experience journey.

Suresh Sethi, MD & CEO, India Post Payments Bank

We are targeting the unbanked people and for us it was very critical to look at assisted banking, Our 300,000 postmen (dDakiyas) started providing banking experience to the customers and getting

them into the fold. From the perspective of onboarding the customer in the assisted mode, we need to think what would be important for these Dakiyas in providing banking services. So, each Dakiya is using the micro ATM app that he/she uses for opening an IPPB bank account. The complexity around KYC is the biggest challenge for us. Aadhaar helped us in creating digital identity and helped us to open the bank account in 3 minutes through thumb print.

There are still lot of people who come to our bank branches by writing their account number on a piece of the paper. So, we introduced QR code to facilitate these customers as the account details of the customers are embedded in the QR code. So, when the Dakiya goes to the customer's place to facilitate transaction, the Dakiya can just scan the QR code. The customer does not have to remember an account number and the Dakiya does not have to enter 10-14-digit account number into the device. These simple things were very important to showcase the ease of banking. We must bring the best of technology in a simple and intuitive manner for the last mile customers.

The entire IPPB banking model is built on the fact that we have an amazing distribution model and we can reach the last mile customers, which was a big challenge within the banking sector. It becomes very important how banks collaborate within the industry to take their products to the last mile customers.

We are looking at the transactional data of the consumer and payment history and we try to see how we can build other financial products on it. India Post Payments Bank is collaborating with other banks to provide products which are beyond the ambit of the payments bank. We have almost 200,000 people with micro ATM devices who provide banking at the doorsteps and each device is enabled through Aadhaar enabled payment system and any customer by using the thumbprint can access any bank's account and can withdraw money and transfer money. We have become a banker to other banks – essentially, we are looking for cooperation rather than competition with other banks.



A view of the attentive audience

Pushan Mahapatra, Managing Director, SBI General Insurance

The non-life industry has 2 major issues on the customer side - it is very low engagement category. For example, if you buy a policy and there are no claims made from your side, then your next contact with a company is only at the time of the renewal policy. So, 365 days just go by without having any contact between the customer and the insurance company. The big challenge is how do you keep the customer constantly engaged and this is something on which general insurance industry has started to work on. Traditionally, it is not a great customer connect industry. We only provide promise to make good in case of a loss.

Secondly, general insurance is neither a transaction nor an investment where you get a return or anything. These transactions are long dated, a person has time to report the claim, checking of the claim also takes time. General insurance products are there in every stage of a business or an individual's life cycle at any stage of any asset class. Therefore, the amount of disruption which is coming through technology in this space is extremely high. For this reason, engagement with the customer becomes much more important. SBI General Insurance is seeing impact of digital coming in in this space and technologies like analytics, AI and ML are playing the major role.

The experience of the intermediaries is important in insurance industry as most of the insurance business comes from them, and customers are directly connected to the agents and brokers. Keeping the customer engaged is a challenge and we are focusing on different engagement programs to better customer experience.

Insurance penetration in India is pathetically low - it is just less than 1% of the GDP of the country. All of us need the protection but the problem is that we still think that it will not happen to us. Unlike other financial services, you get something when you make a purchase; here all you get it is a promise. Therefore, it is extremely important for us to not only deliver the policy seamlessly and claims needed to be handled efficiently because that makes all the difference.

SBI General Insurance takes care of the customers when they are in need because we really value this as we provide the services when the customer is in a tight spot like hospitalization or a natural calamity. So, for us the customer experience is at both the inception and at the claim stage. You might have a great customer acquisition experience. But if it is not backed by equally strong claims settlement experience, then it will fail.

The industry is growing at 15% CAGR; we are going at 40% CAGR. Today, we are having 4.5 million active policies. We are now working on a very different kind of model to be able to connect the customer with the right product at the right time. The customer is becoming hyper personal, they don't want a standardized program, especially the new generation. They want something which is tailor-made for them and that comes through analytics. SBI General Insurance receives 55% of its business from the rural and semi-rural areas of India and so we must focus on a 'rural focused model' and 'Motech driven urban model'. You need technology to deliver it in the rural markets and ultimately you have to deliver the brand promise to the customers.

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Bandhan Bank flourishes despite economic slowdown

Chandra Shekhar Ghosh, MD & CEO, Bandhan Bank, explains how the bank achieved growth in the midst of economic slowdown and NBFC crisis:

Bandhan Bank offers world class banking products and services to its urban, semi urban and rural customers alike. Though it is a bank for all, its focus remains unchanged – meeting the financial needs of the people who are overlooked by the formal banking system.

The bank started with 501 branches, 50 ATMs and 2022 door-step service centres (DSCs) on day one of its formal launch – 23 August 2015. By 31 December 2019, it registered its presence at 34 of the 36 states and union territories in India and now has 4288 banking outlets, 1009 branches, 3084 DSCs, 195 GRUH centres and 485 ATMs.

BROADENED CUSTOMER BASE

Today, the bank serves over 19 million customers. The number of customers has shot up from 13 million during Q4 2017-18 to 17 million during Q4 2018-19 and finally touching 19 million as of Q3 2019-20. According to Chandra Shekhar Ghosh, MD and CEO of the bank, one key reason in the growth in customers is the expansion in banking outlets. “From 3700 banking outlets in Q4 2017-18 to 4288 in Q3 19-20, we have expanded our footprint, and this has helped gain more traction in acquisition on the ground. We added 730,000 customers just during the third quarter of the current financial year. We have 14.56 million customers for micro banking, 4.17 million for non-micro banking and 270,000 for GRUH finance,” says Ghosh.

Another reason for the increase in customer base is the growing awareness



Chandra Shekhar Ghosh is of the opinion that there is no slowdown in the economy at the grassroots

about the bank. It has been in business as universal bank for more than 4 years and Ghosh says during this time, increasing number of people have come to know about the bank, both from deposit and advances points of view. A third factor that led to increase in the number of customers is the acquisition drives that the branches do in their catchment areas. Finally, he says, the acquisition of GRUH Finance brought in that firm’s customers into the books of the bank, thus pushing up the customer base.

STRONG GROWTH

With the NBFC crisis and the economic slowdown impacting more and more sectors and customer segments, has the business of the bank been impacted?

Apparently not. In fact, the bank’s Q3 2019-20 net profit jumped 120.85% to ₹7.31 billion on yoy basis and loan portfolio by 88.87% to ₹654.56 billion. Says Ghosh: “We expect our business trend to continue as it has been for the last few years. With regard to the NBFC crisis, our advantage as a bank is that we have public deposits that help us get low cost funds. At the same time, we are well capitalized. While there has been a crisis among NBFCs, our numbers suggest there is no impact on our businesses. Also, the NBFC crisis has seen some improvement off late and we expect it to normalize in due course. We continue to lend to NBFCs and NBFC MFIs after due diligence of their operating model and books.”

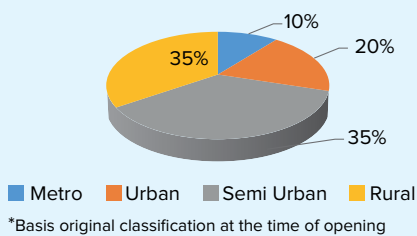
While much has been spoken about slowdown in urban centres, Ghosh is of the view that this is not so in the rural and semi-urban India. Says he: “In our experience, there is no impact of any slowdown. Our customers are continuing with their business as usual and our books are seeing no adverse impact. In all the discussions that our staff have with customers on a daily basis, there doesn’t seem to be a slowdown in the economy at the grassroots.”

During the last quarter, the bank has made additional provision of ₹2 billion on standard advances in the microfinance portfolio after evaluating the risks observed in certain areas of a north eastern state, even though these risks have been dwindling. Says Ghosh: “The 3rd quarter has seen strong growth on advances and deposits. In fact, deposit growth has been the highest over the last 4 quarters. I am positive and confident on the business and growth going forward. The Q3 2019-20 has been a satisfying quarter given the challenges faced during the quarter.”

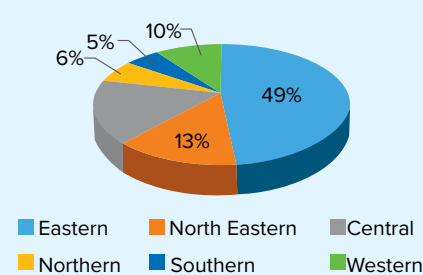
mehul@bankingfrontiers.com

Focus on serving the rural & underbanked population (Included Gruh)

Banking Outlets as on 30th September 2019*



Diversifying presence with non-east increasing over 50% now



BNP Paribas: Reducing paper, reducing pain

Rupa Balsekar, MD & head, Transaction Banking, BNP Paribas India, discusses booming sectors, API banking, fintech roadshows and e-invoice reconciliation:

Ravi Lalwani: Which are the booming sectors for transaction banking in India? How have things changed in the last 3-4 years?

Rupa Balsekar: BNP Paribas has a deep-rooted expertise in the Indian market and we have been engaged with corporate clients across multiple sectors in India like oil & gas, IT, technology, automobiles, auto ancillaries, FMCG, media and advertising, chemicals and fertilizers, to name a few. We are witnessing growth momentum in IT, media & advertising and consumption driven sectors with companies moving rapidly to transform their treasuries to adapt to the digital era. Sectors like auto have been facing some headwinds in the last few years, but our clients continue to do well and we are able to concentrate on giving transformational solutions to them.

How is Indian market for transaction banking different from other leading markets around the world?

The Indian market has its own nuances and characteristics that makes it unique for transaction banking. While it was predominantly document heavy with cross border transactions requiring a certain level of documentation and checks, we are getting positively impacted with the forward looking initiatives of the RBI like Import Data Processing and Monitoring System (IDPMS), Export Data Processing and Monitoring System (EDPMS) and the digital payment impetus through channels like UPI, IMPS and e-NACH. We believe that payment systems in India are one of the most advanced in the world.

BNP Paribas has been working with its clients in India to help them leverage digital initiatives of RBI so that they could make import and export transactions paperless, automated, efficient and more secure.

We believe that, with the rapidly evolving business models of our clients



Rupa Balsekar points out that BNP Paribas supports transformational projects of its clients by bringing technology, automation and digitization to the fore front.

due to the digital push, it is time now for their treasury teams to embark on the digital journey. We are supporting these transformational projects of our clients by bringing technology, automation and digitization to the fore front. In the last few years we have introduced many digital solutions like e-invoicing and reconciliation, e-NACH, paperless imports and exports solutions, 24x7 NEFT, etc.

Can you share details about your collaboration with fintechs?

BNP Paribas truly believes in collaboration with the fintechs. There are number of fintechs that are providing certain specific solutions, which can be adapted by the bank, and analytics is

one of them. Fintechs are very useful in the EDPMS and IPMS platform, which help validate documents that have been received from corporates. For cross-border transactions, numerous documents need to be validated. Today, the client just sends us a file, which is validated against the EDPMS and IPMS data, and then you can execute the transactions. We believe in client engagement and supporting our clients in their journey. We regularly organize fintech roadshows in Mumbai, Bangalore, Hyderabad and Chennai. We also organize educational seminars in association with organizations like ICC.

What are the advances the bank has made in risk and compliance for transaction banking?

Risk management and compliance sits at the core of everything we do. Our strong credit rating and an impeccable record at managing operational risk have earned us a lot of respect from our peers and regulators across the world. We have followed a two-pronged strategy to strengthen the risk culture within transaction banking. Firstly, we have invested and continue to invest in technology to automate processes and reduce manual efforts. We organize data in such a manner that it produces meaningful information and raises alarm where needed. Secondly, we have consciously focused on strengthening our risk franchise by investing in people and developing human resources with specific skills.

We take a lot of pride in helping our clients to enhance their capabilities in managing risk from transaction banking perspective. Our market leading products like pre-payment surveillance are specifically aimed at helping our clients manage transaction risk. We have migrated a number of our clients to our host-to-host model which reduces the risk of manual uploads. Our data exchange is done via

encrypted files to mitigate the in-transit risk of data infiltration. We regularly send broadcasts to educate our client on data protection and data security measures. Our endeavour is to ensure that we provide at all times a safe and secure environment to our clients and to our colleagues.

What new measures, products and services

are in the pipeline for the transaction banking customers?

We have our own innovation labs, which are located across Singapore, France and the USA, which are constantly working on new products and services. Details of our participation in global initiatives on blockchain are in the public domain. In

addition, we are working on API based banking solutions in APAC, and on initiatives like electronic invoice presentment and payment solution, receivable reconciliation solution, Bharat Bill Pay services and several other initiatives to enhance our digital banking product suite.

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Some case studies BNP Paribas India has done for its transaction banking customers:

Reconciliation issue faced by an oil & gas company

Problem: One of the large oils & gas company with pan-India reach, supplying gas, petrol, diesel, etc, to various petrol pumps, encountered challenges in reconciliation as the company works on a cash and carry model, which means the trucks leave the warehouse after the money comes in from the dealers / distributors through various channels like cheques, demand drafts, RTGS and NEFT. The company was doing 60-70K transactions in a day. A key problem was to identify the remitter as soon as the payments get credited to his account and then to be able to pass that entry in the ERP.

Solution: BNP Paribas implemented a virtual accounts solution for the company. As soon as the funds were received from a dealer or distributor, the system would identify the dealer or the distributor and using XML messages it would integrate with the client's ERP on a real time basis. A specialized MIS was designed which would flow to the various warehouses, depots and finance teams. The company achieved a high-level automation because of this integration, and it could send a message to the depots in real time to release the fuel trucks. This solution has now been replicated across many clients of the bank across different industry segments.

Payment segmentation for a car manufacturer

Problem: A leading car manufacturer worked on a dealer and a distributor model. Apart from cars, the company was also into spare parts and servicing. A distributor could be used for multiple purposes and that firm could have its own agency spread across India. For the car manufacturer, identifying the source of the money and the segment it was pertaining to, was a challenge.

Solution: BNP Paribas team worked with the client to understand the requirements of the treasury and banking teams and realized that the client not only needed to identify the remitter for reconciliation purpose but also get additional information on the type of product sold or service provided so that it could take real time business decisions. The bank designed a dynamic virtual account solution in which the client was provided with a flexibility to have the virtual account number to incorporate various parameters like new car sold or a used car sold, colour of the car sold, spare parts sold or car servicing done. Upon implementation of the solution, the dealers were able to send payments with the new virtual account nomenclature and BNP Paribas could help the client with MIS with segregated information on the parameters designed by it.

Collections and reconciliation for milk marketing federation

Problem: India's largest milk marketing federation works on a cash and carry model. It operates a network of nearly 5000 distributors and about 1 million retailers. The distributor / retailer network constitutes a mixed variety of individuals and agencies, most of which do not operate in an organized

manner. The federation therefore felt it imperative to make its 'Cash and Carry' model extremely competitive and seamless for timely deliveries that not only ensuring its market share but also for creating a robust distribution channel for its diversified product line.

Solution: BNP Paribas offered a fully integrated model that provided an end-to-end management of the collections and reconciliation process. This included:

- (i) building a robust receivables framework to handle paper-based clearing including warehousing of post-dated cheques
- (ii) structuring an electronic receipts solution based on virtual account concept for segment of dealers that operate in organized sector
- (iii) educating and migrating the dealers to direct debit platform (NACH)
- (iv) providing a platform to farmers for transferring funds to the federation via mobile phones

Developing e-marketplace model to transform inventory management

Problem: Minimising inventory has always been a challenge for white goods manufacturers - automobiles in particular – as they have to maintain inventories of spare parts as well cater to the repairs and to the growing refurbished goods market.

Solution: BNP Paribas developed a solution transforming the traditional distribution model within a closed user group. The bank helped the client to establish a closed user group e-marketplace, which connects the suppliers of the spare parts for white goods to retailers and end users who buy the spare parts. The client could understand the nodal account regulations for operating the e-marketplace with checks and balances to protect the interest of the end customers. The client need not keep any inventory of spare parts anymore. The suppliers can list the goods on the e-marketplace and the retailers/end users can place an order on the marketplace. The client will then take control of the fulfilment and settlement of funds to the account of the seller. This would reduce the efforts involved in management of inventory of spare parts and provide complete transparency to the customers.

Media network company and its ERP

Problem: One of the largest media network company, which is growing in double digits, realized that it needed to digitize as much as possible to bring payment surveillance, go green and save paper. It wanted to migrate to digital with minimum IT spending.

Solution: The bank identified 3 clear areas to focus on - system integration, workflow management and operational risk. A combination of solutions was implemented that facilitated easy file conversion and encryption, payment surveillance with inbuilt system intelligence to track historical payment trends and finally customized reverse information for reconciliation.

He dislikes complex solutions, he devises a holistic approach

Arun Jain, chairman of Intellect Design Arena, has not only made a mark as a successful entrepreneur, but also as a fundamental thinker. He did the most unexpected act of selling off his IT services business to concentrate on products. Manoj Agrawal interviewed him to comprehend his mindset, his journey and the outcome. Edited excerpts:

Manoj Agrawal: During my tour of the facility, I understood 2 interesting things. First, is you're not taking the problem as is given to you by the customer, but you are understanding it in greater depth. Second, you're not applying a template solution. You're actually designing a meaningful solution. This is not what the IT service industry typically does. How did you come to this new thinking approach?

Arun Jain: Since we are focusing on the banking and financial sector, I will restrict myself strictly to that sector more than other industries. This is amongst the sectors that adopted technology early in the game - it has been there since the 1960s. More the technology is implemented, more the complexity is added. So, older the corporation is, higher the number of software people. Something is fundamentally wrong somewhere, which is leading to patchwork. This complexity hit my mind during my days at Polaris when Citibank was my customer, and we had around 3500 employees at Polaris working for Citibank alone. Polaris was just one of the vendors, TCS had around 6000. So, we are talking of really big numbers. Fundamentally, I asked myself the question - if I have to start a bank and the bank has to offer some 'n'number of services to its customers, then why should there be so much of complexity sitting in the system!

This complexity has 5 dimensions: multi-generational technologies, multiple products, multiple CEOs, as they keep changing, each CEO want the same solution in a new bottle. Then there is complexity of globalization which has happened. Regulatory complexity comes in whenever you are adding new product



Arun Jain explains how designing the thinking process is the science of design thinking and the design center represents the theory part of design thinking.

lines, along with globalization. So, in this multi-complexity scenario, the typical bank does not have the time to think about it and say: let's think for 3 months and relook at a customer centric approach to design. They never really do customer centric thinking; they do process centric thinking - optimize call-center, optimize robotic process automation, etc.

First of all, you need to know whether

that process is required or not. It is easy to automate what is previously there, without challenging the fundamental need of that. We have so many assumptions and biases that we don't challenge. That's how I spent so many years at Polaris. I found this is fundamentally wrong and felt the need to apply some fundamental thinking. We call it design thinking, but fundamentally it is systemic thinking. So that is what started the journey sometime in 2009-10 when I took up the challenge. I started researching on the human mind, how the mind works, what are its elements, and so on, including our Jain philosophy.

Apart from religion, what other sources of learning or about mind did you study?

Carl Rogers has explained multiple intelligences. Harvard has done a very good job in learning, and Stanford has done a very good job in Design Thinking. There are separate school of thoughts - Stanford gives design thinking, learning thought comes from Harvard and deep philosophical research comes from Oxford and Cambridge. All my learnings between 2007 and 2011 were from these sources.

My curiosity kept pushing me. Most of my Saturdays and Sundays were spent in reading books. That is when we started a movement. I realized that learning processes keeps the mind open. So, the whole program of the Unmukt came out in 2010, and then I conducted this program with 2000 of our people. It was a full day program to change the thinking process. Since the solution is the outcome of the thinking process, the workshop created a certain level of sharpness in our solutioning.

Then we started creating the

framework. Around 2010-11, I realized that just the way religion needs a temple for God, we also need a beautiful physical structure for our design thinking. So, in 2011, we had set up a multi-disciplinary team of 10 people comprising an architect, an engineer, a banking domain specialist, a project manager, etc. We would sit down for 2 hours every Friday, and it took us almost 9 months to design this facility. I told my team not to have any constraints and take as much space as they want. Over a period of 9 months, we created 3-4 models and we kept iterating until we reached the final model that we have today. The final model was finalized in 2012. It took 2 years to construct this center.

I am sure you have not stopped your thinking and learning process. How long before you come up with version 2?

Our physical infrastructure has been finalized and frozen. It is said that innovation is a continuous process, till the time it becomes an algorithm. One should not tinker with it after that. Innovation creates anxiety – lot of companies say that innovation is a must, but that is true only until you reach the final product.

Take the smart phone for example. Once it was designed with screen, camera, sensors, etc, there has been no fundamental change. All the improvements are incremental. This is why we say that the last 2% is equivalent to 200%. The more we refine knowledge, the more valuable it becomes.

Do you patent your innovations to create intellectual property?

Our innovations do help us get patents. We feel happy that we have number



At the Intellect Design Arena's state-of-the-art design center

of patents. But more patents do not automatically result in good business. What is needed is solutions to problems. Apple has far fewer patents than IBM, but it is doing much better business. So relevant solution matters more than patents.

Since the market and regulation are dynamic, your solution must not only be relevant, but also contextual. So, if you look at Kerala vs UP, the context will be different in terms of credit verification, repayment verification, etc, and such nuances should be reflected in the solution.

There are design thinking centers across the world in research institutions, academic organizations, industrial organizations, etc. Perhaps, even NGOs. Yours is mainly fintech focused. Have you done something to learn from them, by comparison or other means?

We are continuously learning from them. We have broken down design thinking into a 2-step process. First is to change the thinking at the individual

level and then at the organizational level. Every corporate has an organizational level thinking, which is also called culture. Those organizations that think for themselves tend to be long lasting. If an organization merely copies others, it will get finished if the organization it is copying is finished. If you copy the thinking process from another organization, it will give only limited results.

Designing the thinking process is the science of design thinking. Our design center represents the theory part of design thinking. The application part is in the organization itself.

When you explain your design thinking to potential customers, they might be coming with their own design thinking models. How do you work out the differences?

What we have seen is that most of the alternative models offered are not holistic. We have a book where we have documented the 3 laws of design thinking. It also covers design definition and has stories.



Different views of the design centers

It includes definitions and laws of design thinking, design mind, design process, design frameworks, space, methods and tools – so there are seven blocks in all.

So now, among our customers, nobody has all the seven. Some of them talk only about process. They may be missing the definition. Even though every company will have a framework, it is not aligned. You must have design stages - you have a desirability of the solution, but that desirability itself is a mystery because the client does not know fully what they want. So we ask questions, and distil the responses and connect the blind spots and come to the algorithm. That is how we bring clarity about the solution.

Understanding our approach takes half a day or so. We explain our fundamentals of design thinking - less is more, last 2% is 200%, and theory of 10 gm, 100 gm and 1000 gm, design mind, etc. We see that any limiting belief and comfort zone can be an obstruction in the design thinking, these we call the frictional forces. Conflict is also an obstructive force. So is doubt, anger, fear and ego. These 5 things obstruct the flow. Our design process is a 5-step process.

Are you using design thinking anywhere else?

I also apply the same design thinking for



A discussion in progress at one of the design centers

rural development in our India Panchayat Forum. I wanted to test our Design Thinking outside of fintech where it has been proven with the quality of our products and their acceptance and their premium. I wanted to pick up the most difficult space to apply this – and that is rural India. Out of 1.3 billion, 900 million people live in rural India. What is the development model there – it is simply trying to copy the urban model. The village school is a copy of the city school, with the same textbooks and curriculum, even though contextually, it is different. The motivations of the students are different.

So, we started by going and observing things in different villages. Now we are working with more than several villages with different partners, and continuous learning is happening. We are organizing a 3-day workshop with 30-40 panchayat

representatives, where they go through a structured approach based on our design thinking model. They will visualize their village 10 years in the future, and we help them plan a Samridhi Yatra towards prosperity. They are not waiting for Government to deliver. I believe that the role of Government is governance.

We did 10 workshops on a pilot basis to learn what works and what doesn't. Then we packaged it and signed up with NIRDPR (National Institute of Rural Development and Panchayati Raj) to create a cluster development program. We are looking to have 100 clusters, each comprising of 5 panchayats, covering about 1000 villages.

Thank you, Arun for the insights. Wish you & your team great success in making a deep impact in multiple areas using design thinking.

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EDITORIAL PIPELINE FOR 2020

Readers....following are some story ideas that the Banking Frontiers editorial team will be working on in the coming months. The stories will be created based on information from CEOs and CXOs of BFSI organizations. We eagerly invite your suggestions for more interesting topics.

- ◆ Tech setups of foreign banks in India
- ◆ Appraisal Transformation
- ◆ Agri Banking
- ◆ Transaction banking
- ◆ Payment analytics
- ◆ Data Privacy
- ◆ Gold vs Cryptocurrency
- ◆ Impact of gig economy on jobs in BFSI
- ◆ Using of Tiktok by BFSI companies for marketing
- ◆ How CFOs are doing IT budgeting differently compared to 3 years ago
- ◆ Gamification of Training
- ◆ Technology trends in Remittances
- ◆ Impact of coronavirus on Risk Management
- ◆ Enhanced techniques and technologies for Collections
- ◆ Functional and technological enhancements in Mobile Apps
- ◆ New ways to sell off assets seized from defaulters, including e-markets and auctions
- ◆ How banks are activating dormant accounts
- ◆ Functional & technical enhancements in sales force automation
- ◆ Improvements in measuring customer experience and satisfaction
- ◆ How BFSI companies are reducing energy consumption

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SmartForce Video KYC

In a highly competitive & digital complied world of today, ensuring that the customer gets the right product for his/her money's worth has become a key challenge. Almost anything and everything can be procured through e-markets today which makes it challenging for both buyers as well as sellers to ensure no fakes and frauds do not impact the business. To ensure sanity and security of the digitally complied e-markets, Sudesi has introduced **SmartForce Video KYC** for seamless buying and selling experience.

Organisations can now sell their products by requesting customers to voluntarily comply with a Video KYC to make sure their investment is as per what they desired. **Video KYC ensures hassle free transaction by eliminating the agents and frauds that have been quite rampant in the digitally complied e-markets.**

CAPABILITIES OF SMARTFORCE VIDEO KYC

The SmartForce video KYC has two interesting options: **Assisted V-KYC** and **Self V-KYC**. In assisted mode, the agent/employee visits the customer and captures the customer video KYC in on a mobile app. In case of self/voluntary mode, the customer is sent the V-KYC link via SMS or e-mail. The customer can open the link in his/her phone and completes the V-KYC.

ASSISTED VIDEO KYC

- ◆ Details of Customer sent to the Agent on his Verification Mobile App.
- ◆ Agent visits the customer and completes the verification process in front of the customer.
- ◆ Submit to the server for further processing.
- ◆ Record the details of the agent/employee who has performed the verification.

SELF/VOLUNTARY VIDEO KYC

- ◆ Customer provided with a shortened link through SMS/e-mail.



Naveen James

- ◆ Based on his convenience, the customer can initiate and complete the KYC process.
 - ◆ Submit to the server for further processing.
- SmartForce Video KYC uses AdStringO's Shrinkman Compression at the end-point to reduce the captured file size up to 90% without changing Aspect Ratio and Quality for easy transmission, even on a 2G network.

BACKEND WEB PORTAL

The SmartForce - Customer Verification Backend Web portal provides following functionalities:

- ◆ Application Management
- ◆ MIS/Record Management

APPLICATION MANAGEMENT

Application Management provides access add/delete/manage details related to Mobile Application Usage/masters.

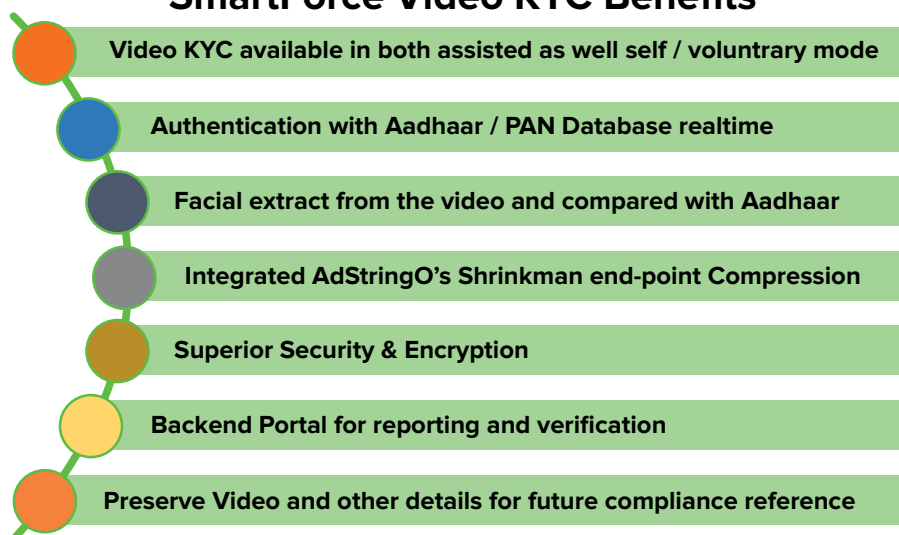
- ◆ Manage Applications Users
- ◆ Manage Channels
- ◆ Manage Products

MIS/RECORD MANAGEMENT

- ◆ Dashboard for completed/pending verification request
- ◆ Access to view the completed verification details, video and approve/reject the data.
- ◆ Flexibility to download data, video and pdf upon user request.
- ◆ Reports generation basis
 - Products
 - Users Code
 - Application Number
 - Verification Status
 - Filter on Date Range

www.sudesi.in

SmartForce Video KYC Benefits



A Culture for Microservices & A Strategy for Chatbots

Gartner organized its Application Architecture, Development & Integration Summit in Mumbai recently. Highlights of 2 key sessions at the Summit:

Gartner organized the Gartner Application Architecture, Development & Integration Summit in Mumbai, on 2 March 2019 where Gartner research experts, application leaders from across industries and solutions providers helped participants to master an application leader's role with research-backed sessions and create strategies, models, architectures and applications that can lead organizations into the next decade.

Two sessions at the summit were notable - 'The Cultural Impact of Microservices' presented by Mark O'Neill, and 'Chatbots and Virtual Assistants: Past, Present and Future', presented by Magnus Revang. Both are vice president analysts at Gartner.

Addressing the delegates comprising application leaders, architects, integration professionals and program and portfolio management specialists, Mark O'Neill said there are 3 critical success factors that help deliver microservices effectively and these are product mindset, organization and skills. "Product mindset requires that you research customers to understand their needs, prioritize capabilities/features on a product roadmap, deliver product experiences that maximize value and solve customer problems better than the competition. For example, competitors may be bypassing the API and directly accessing the database. You must be able to deliver over a sustained period using dedicated teams," he added.

O'Neill explained that microservices are typically called through APIs so that one may change the microservices. However, one should avoid changing APIs. The product manager, he said, must effectively be an API product manager and he or she should sit between 2 sets of developers - one set creating solutions using APIs and the other set creating microservices that expose the



Mark O'Neil advises developers that they should avoid bottlenecks created by governance issues and aim to have one API management platform rather than several

APIs. "So the API product manager must define and enable business goals, manage the API roadmap and coordinate developer relations," he stressed further.

Elaborating the implications of microservices on the organization structure, O'Neill quoted Melwin Conway's Law which stated that 'any organization that designs a system will produce a system whose structure is a copy of the organization's communication structure'.

He pointed out that developers have a tendency to build a microservices platform as opposed to just the microservices, making decisions on frameworks, automation toolchain, API gateway, managed containers, service mesh, backing services, telemetry, etc. This, he is of the view, must be handled by the platform operations team. "That team should be



Magnus Revang emphasizes that quality of bot implementation is more important than the technology platform used

responsible for the outer architecture of the microservices," he said.

O'Neill said API governance frequently created bottlenecks and developers should avoid governance becoming a bottleneck in general. "Aim to have one API management platform, rather than several.

Agile and DevOps are the prerequisites for microservices," he added.

O'Neill also advised that microservices are not for everybody. "If you cannot develop software in small, easily testable increments, or you are unwilling to deliver incrementally, do not go for microservices," he emphasized, adding: "There is no such thing as a microservices project. There is only a product."

Discussing the topic, 'Chatbots and Virtual Assistants: Past, Present and Future', Magnus Revang highlighted that

language is a big issue for technology companies. “Objective of the technology is to determine the intent of the user and often this is done through supervised learning and it need not be in real time” he said.

He pointed out that a chatbot has to integrate with a variety of backend systems, raising level of sophistication. Its development course is like chatbot (tell the bot what to do) -> Virtual Agent (tell the bot what you want) -> Virtual Assistant (the bot anticipates what you want), he explained.

Discussing a scenario where the bot can get the intent wrong, Revang said it is the responsibility of the solution creator to ensure that the bot gets the intent correctly. “Quality of implementation is more important than the technology platform used. When people use chatbots, they spell phonetically, they use slang and abbreviations. Also, dialects of many languages change across different parts of the world. English in India is different from English in the US or UK or Australia or Africa. You can scale on intents, users, locales, languages, use cases, etc,” he told the developers.

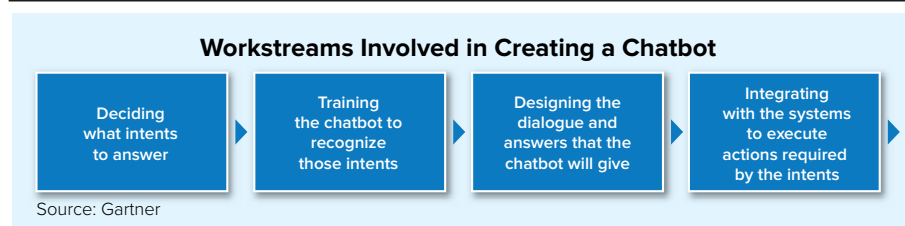
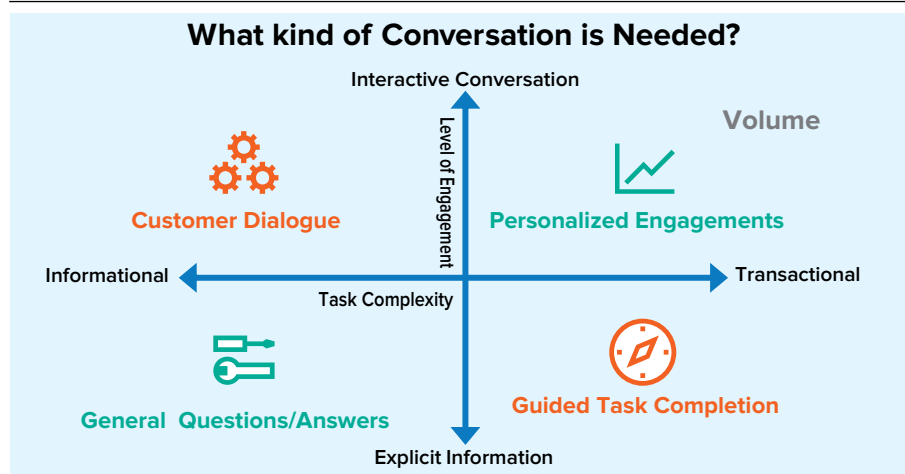
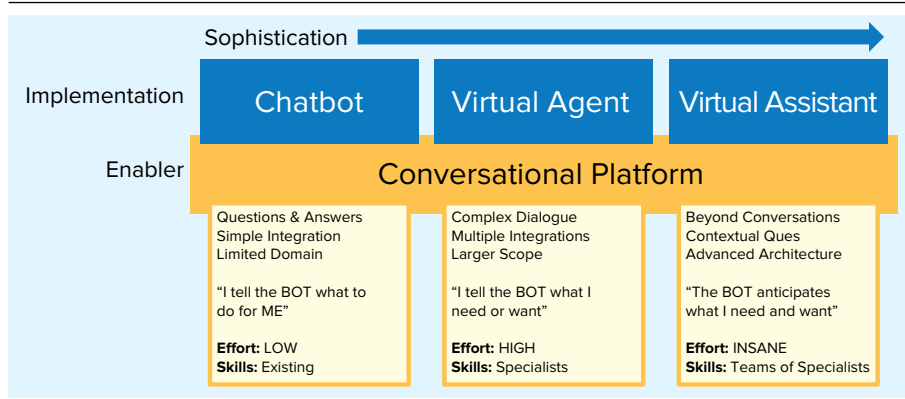
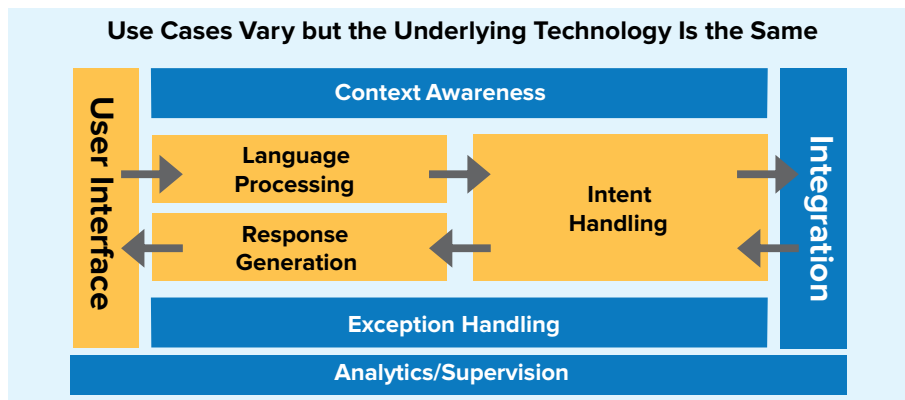
Revang is of the view that specialist users are easier to satisfy than average users, as they know what to ask and say and make fewer mistakes. It is, therefore, wise to limit the need for integration with multiple systems in the organization, he added.

He pointed out that tasks can range from informational to transactional. The level of engagement can range from explicit information to interactive conversation.

He envisaged workstreams for creating a chatbot:

1. Deciding what intents to answer
2. Training the chatbot to recognize those intents
3. Designing the dialogue and answers that the chatbot will give
4. Integrate with the system to execute actions required by the intents

He also cautioned developers that if they change the chatbot technology, designing the interaction does not change. And one also has to design the personality of the chatbot. “You do not want your users



to go away ASAP,” he quipped.

Revang felt enterprise vendors will compete to become the master chatbot in an organization. He told enterprises planning to set up chatbots that they must devise an exit strategy for vendors,

preserving training data and dialogue design. “Catalog your intents and organize them for scalability. Perform an audit of applications that will be integrated with the chatbots,” he told them.

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CX: THE FINAL FRONTIER

Institutions today, especially banks and financial services institutions, are engrossed in creating strategies to enhance customer experience. Banking Frontiers carried out a 3 part-study on this topic and sought to understand (i) top CX initiatives, (ii) CX initiatives for complaints and (iii) technologies that institutions use for improving customer experience. The findings are narrated in 3 different articles:

Analysis of leading initiatives

Segment	Leading CX Initiative	Leading initiatives to resolve complaints	Leading Technology Initiatives
Securities & Broking	Analyzing and leveraging CX data	Customer conversation	Omni-channel solutions
NBFCs	Customized solutions & offers	Robust complaint redressal process	Analytics, Omni-Channel
Private Banks	WhatsApp, AI, Chatbots	Bots, Social Media Channels	WhatsApp, AI, Chatbots
Payment Banks	Micro ATM, Multi-lingual app	Multi-lingual	CRM
Life Insurance	CRM & Chatbots	CRM	CRM
General Insurance	Automated claim intimation, Automated settlement	Social media channels	AI
All Segments	Digital, Mobile, AI, Chatbots	Social media channels	CRM, AI, WhatsApp, Omni-Channel

Serving the customer right is a doctrine today for banks, insurance companies and other financial services institutions what with increasing challenges from fintechs and technology-enabled enterprises that promise to make the whole of financial service a totally new experience. Most of the Indian banks and financial services institutions consider it an exciting opportunity to optimize customer experience and user journey. Availability of vast sources of information online empower customers and enable them to have greater choices.

The financial services institutions have tools to enhance customer experience to a new level. For example artificial intelligence, which cannot just create more delightful and personalized experiences, meeting the customers' diverse needs and contexts, it can also do a whole lot of things that can bring in conveniences. We have UIs based on AI that can make a customer's interaction with a bank quick, convenient and intuitive. We have blockchain-based claim settlement facility, AI-based claims intimation process and claims settlement process, analytics tools to measure customer behavior and product simplification, chatbots and virtual voice assistants to help customers as also to sell products and WhatsApp banking.

ONMI-CHANNEL INFRA

A study by Banking Frontiers on various customer experience initiatives by BFSI institutions indicate that these institutions are innovative in their approach not just to satisfy the customers but to exhilarate them. For example, Universal Sompo General Insurance Co has developed a unique omni-channel experience infrastructure, which provides the best experience to delight customers across all the touchpoints/ Says Atul Tandon, national head - Operation and Customer Care at the company: "We are providing customers with a seamless experience across any channel: from in-office visits and phone calls to website visits, applications on mobile devices and more. This attracts and retains digital-savvy consumers. We have recently



Puneet Kapoor

equipped our call center system with Nortel CS 1000 and Avaya IP equipment for superlative customer experience."

Tandon explains that the Avaya system has push-calling features, email configuration with auto allocation, which helps in attending all queries received via emails without any misses. On calling the call center, a customer is taken through an IVR facility. The company also run a campaign for out-calling which is use for welcome calls to new customers.

The insurance company has launched its own mobile app, called USGIally, which has features of an insurance wallet where an insured can manage policies on the go, get intimation on a claim online and track claim status. Also there are complete auto insurance solutions for online car service, roadside assistance, location based services to find nearby petrol pumps, PUC centers, mechanics, hospitals, blood banks, pharmacies, etc. In addition, the app offers healthcare management and health risk assessment services besides information on wellness centers, doctor consultation, etc.

Tandon says the company has also developed an AI-based claims intimation process and claims settlement process for motor insurance.

MOBILE SALES TOOL

For Aviva Life Insurance, 2 recent initiatives in the customer experience

domain are a mobile sales tool and a chatbot called ALISHA. According to Anjali Malhotra, chief customer, marketing & digital officer, the mobile sales tool provides customers with information such as the key benefits of a plan, illustrations of premium and the payment process. The app also provides solutions to the customers on their financial requirement depending on their current life stage. The tool significantly reduces the risk of human errors while expediting the process of issuing an insurance policy. "The tool offers our customers a hassle-free buying experience without any physical documentation," says Anjali Malhotra.

ALISHA, in short for Aviva Life Insurance Self Help Assistant, is claimed to be among India's first Natural Language Processor-powered conversational computing solution.

SERVICE TO SERVICE EXCELLENCE

Canara HSBC Oriental Bank of Commerce Life Insurance Co is undertaking a transition from service to service excellence powered by customer centricity. The company's chief operating officer Sachin Dutta says design thinking acts as a good framework in resolving many of the company's attempts to emerge as excellence trendsetter. "A lot of effort has been put to train and re-train all the staff interacting with customers, including even the back office functions. Today technology power is there in the hands of each customer so that technology function is actually emerging as the most prominent CX function. Processes have undergone or are currently undergoing transformation journey backed by required technical interventions," says he.

He cites 2 key initiatives in this regard: "One is a CRM system providing omni-channel experience to our customers. It makes interactions intuitive and delightful. Analytics continue to play an important role for making tailor-made solutions. A customer communication module supports the CRM. The other is our using NPS to measure customer satisfaction at each touch point."

CLARITY, SIMPLICITY

Digit Insurance, which is a 100% online insurer, claims clarity and simplicity in its interactions with the customers. “For example,” says Praveen Bhat, VP - Customer Experience at the company, “all our documents from onboarding to claim process are written in simple English and with as less jargons as possible. To educate our customers using simple English, we have also created a 2-page summary document for all the products and this document will explain what is covered, what is not covered and what is the claim process. We have tested the summary documents with 15-year old kids to know whether they have understood the contents.”

Digit Insurance has also taken up a few product specific initiatives for better customer experience. It has a flight delay insurance under which it offers benefits if a domestic flight is delayed by 75 minutes. The industry standard is 6 hours or more. The customer does not have to worry about the claim process, as the company offers a 3-step 100% automated claim process. In case of delayed flights, the company tracks it on its own, sends an SMS to the customer asking for his or her boarding pass details and bank details and the benefits are sent directly to the bank account or the travel agent through whom the customer has booked the ticket.

Digit Insurance also has a smartphone-enabled pre-inspection of a vehicle which has met with an accident using the customer’s phone by clicking photographs as described by the app during the process of claim.

RM@HOSPITAL

Bajaj Allianz General Insurance has recently come out with a RM@Hospital initiative which is providing a relationship manager to a person hospitalized to assist him or her to deal with the administrative machinery. “We have received good feedback for this from our customers,” says K.V. Dipu, head - Operations and Customer Service at the company. “It is phygital and an industry-first initiative,” he added.



Suresh Sethi

The company has also come out with a blockchain-based claim settlement facility for travel insurance. It helps with claim settlement in flight delays. “Customers need not notify us about flight delays. Using blockchain technology, we reach our customers proactively. And in the case of a motor insurance claim settlement, all the customer needs to send to us are the photographs of the damage caused to the vehicle and the claim will be settled within a half an hour after receiving the images. For this, we have developed an app, called Caringly Yours,” says Dipu.



Ratan Kesh

MEASURING SERVICE

Apart from insurance companies, banks too are proactive in engaging the customers and ensuring that their interaction with the banks is delightful and engaging. For instance, Axis Bank has created a framework for measuring customer experience across the customer lifecycle. Customer experience expectations are defined for every life stage/touch point and an accountability is set for each function/business head that rolls up to the management committee.

Ratan Kesh, head - Process Transformation and Customer Experience at the bank speaks about the bank’s Axis Gold program: “We have launched this merit-based program to drive continual service improvement at branches. A Gold Certification is awarded basis customer feedback and performance on key service indices. We have seen a clear correlation between gold certified branches and business KPI for gold certified branches.”

The bank is using tabs and AI for instant account opening (Close to 80 % accounts are opened instantly). AI helps to effectively scrutinize the uploaded KYC documents and recognize inaccuracies quicker. The idea is to ‘Drive First Time Right’ by building system-based validations, which ensure that appropriate balances/checks are conducted in real time to avoid rejections. Real-time speech analytics for phone banking helps identify potentially damaging conversation between the agent and the customer, using certain keywords or phrases. “Such cases are then immediately escalated to a supervisor for corrective measures. The tool is also efficient in recognizing different languages and accents,” says Kesh.

FILES TO FEELINGS

Magma Fincorp has developed a theme - From Files to Feelings - to ascertain the sentiment a customer has for the company. “We ask our customers to rate their experience with our representative. The customer gets a link and he is expected to give ratings for our representative, which in fact forms the basis for his performance and keeps

him motivated to give a good experience, says Nisha Menon, head - Operations & Customer Service at the company.

“Similarly, we also create customized offers to our customers depending on their payment track record. These offers are communicated to customers in 10 regional languages. Our repeat purchase ratio is 35%, which is considered very high,” she adds.

VIRTUAL VA

Puneet Kapoor, senior executive vice president, Kotak Mahindra Bank, says the bank’s Keya, which is an industry-first AI-enabled virtual voice assistant, is key tool for the bank to interact with the customers in a rewarding manner. Says Kapoor: “The greatest disadvantage of IVR systems is that customers have a hard time following telephone menus and lengthy instructions. They often get frustrated with the slowness of multiple phone menus. Keya voice bot is the first conversational virtual assistant in the Indian banking industry, which is a bi-lingual voice bot, responding to queries in English and Hindi. Keya offers a distinguished CX for routine queries such as balance inquiry, bill pay, recharge, home banking, cheque book requests, statement requests and transaction details. As a result, compared to pre-Keya IVR phase, the Net Promoter Score has improved by 30% and validations on IVR by 30%.”

Kapoor also cites the bank’s WhatsApp Banking as an important channel for customers to access details of their account. They can get basic information about balances and transactions. “The familiarity of the WhatsApp platform makes it very easy and convenient for customers to get their routine queries answered,” he says.

The bank also offers ‘missed call functionality’ which has helped customers get basic information about account balances, last 5 transactions, etc, in less than a minute, and which has received tremendous response.

LEVERAGING POSTMEN

Suresh Sethi, MD & CEO, India Post

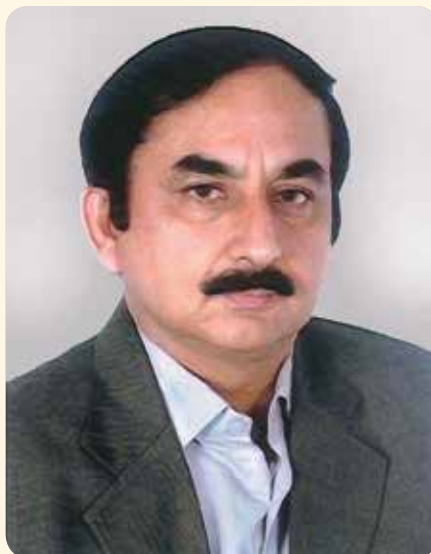


Anjali Malhotra

Payments Bank feels customer experience today is a competitive differentiator in the financial services/banking industry and institutions that invest in enhancing customer experience have higher wallet share and are more likely to up-sell or cross-sell products and services to existing customers.

India Post Payments Bank, he says, has some key initiatives to improve customer experience and Sethi lists them:

- ◆ Assisted banking through micro ATM delivered by the Grameen Dak Sevak/Postman with footprint across the country
- ◆ Biometric/OTP based transactions/



Atul Tandon

services using the India Stack for easy accessibility of accounts, especially in rural areas

- ◆ Doorstep Banking Service – A unique and differentiated service that addresses the key challenge of last mile financial inclusion in truest sense.

INSTANT LIFE CERTIFICATE

Kotak Mahindra Life Insurance Co feels it has been able to create better customer experience by offering convenience to annuity customers using digital certificate of existence. Kirti Patil, chief technology officer at the company, says earlier, annuity customers had to visit the branches to receive their recurring payouts, attesting they are hale and hearty. “Typically, this customer group would constitute elderly people, for whom searching for the closest branch, travelling and getting the whole process done was a rigmarole. We conceptualized and implemented a simplified user-friendly digital process with the help of AI-enabled technology using which Digital Certificate of Existence is created. The annuitant only needs to take a selfie using his mobile phone and share it with us on a real-time basis. Our system using a variety of parameters detects the liveliness of the person. The certificate of existence is then created, and the entire process takes less than a minute. The process can be done wherever the annuitant is and what is required is an average internet bandwidth structure. This in fact empowers the customer,” says Patil.

Patil says the company has also created a secure one-stop self-service portal with facilities for renewal payments, policy information and revival of lapsed policies as also placing service requests. “This set-up is complemented by Keya, our virtual chat assistant that is available 24x7 for making payments, delivering policy statements, getting fund and bonus values and a host of other services.

INFO FROM DATA

Fino Payments Bank believes that the first interaction with a brand is the most critical one. Hence the bank encouraging

customers to interact with the bank digitally so that it can revert faster. “We have started capturing leads from the interaction, which are submitted to our system, which then directs them to the nearest sales officer, who gets in touch with the prospective customer instantly. This gives the customer a great experience,” says Anand Bhatia, CMO and head-Analytics, at the bank.

“A key requirement for a merchant who represents us to the end consumer is to know the financial impact/ earning of every transaction done, how is he faring with respect to his peers. We have gamified the process. He can see his ‘salary slip’ daily and in a few days he will be able to see his rating with respect to his peers. This, we believe will go a long way in driving stickiness of the relationship,” he says.

Bhatia says the crucial initiative of the bank this year has been the launch

of the subscription product – Shubh. “In this scheme, the consumer pays an upfront fee to own a product / account. This is not confused with hidden charges through the year. This makes the account non-threatening and makes for a smooth relationship,” he adds.

CUSTOMIZED SOLUTIONS

Amit Gainda, CEO, Avanse Financial Services, says his company focuses on creating customized solutions for every customer so that the best possible services and smooth experience can be offered. “We have adopted new technologies into a fast-moving business environment to contribute in improving the overall business performance. We are continuously improving the business processes and working towards making a digitized and simplified procedure so that it becomes completely hassle free and seamless for our customers. This

will result in the reduction of the overall turnaround time. Additionally, we proactively reach out to our customers on a regular basis,” says he.

Angel Broking leverages CX analytics to measure customer behavior and offer real-time customer solutions. Nilesh Gokral, COO, says the firm also undertaken product simplification by analyzing customer journeys across online channels to increase customer loyalty and engagement.

Chirag Joshi, CMO, Samco Securities lists customer surveys and review of customer journeys frequently as the 2 initiatives the company has been undertaking to enhance customer experience. “In these, we monitor dropouts, responses, conversions etc and the inputs are discussed regularly in dedicated meetings and improvements are accordingly made,” he added.

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How to make customer complaints profitable...

How effectively and how fast a grievance is handled is a sure-shot way of getting a customer stick to an organization and perhaps make him spend more on the organization’s products:

A senior SAP functionary heading customer experience strategy in the company, who had done extensive research on customer behavior, has found that 13% of unhappy customers will share their complaints with at least 15 people and only 1 in every 25 unhappy customers complain directly to the corporate selling a product. However, if customers have a positive customer experience, they will share this experience with friends, family and connections, which in turn can lead to new business - and at zero cost.

But what happens if a corporate fails to provide a positive customer experience? The customer will complain and if the customer does not complain, he will stop doing business. Customers whose complaints



Sachin Dutta

are resolved expeditiously will become loyal customers and even promoters of the brand and in their future dealings with the corporate they would perhaps spend more. So, in some way customer complaints can be a positive thing for the corporate if the corporate can handle the grievances quickly.

How do BFSI institutions approach customer complaints and what are the exclusive redressal mechanisms?

MULTI-LEVEL ACTIONS

Puneet Kapoor, senior executive vice president, Kotak Mahindra Bank, explains how the bank takes multi-level actions on complaints with respect to products or service: “Before we handle a

complaint, there is a focus on 'first time right' interaction with the customer, which includes DIY online and mobile/net banking options as well as biometric-based product application forms and Aadhaar-based immediate update options at our branches. When a complaint is lodged with us, the focus is on 'within time closure and complete correct resolution'. In case of a delay or when additional information is required, the expectation is to quickly inform the customer of the status. Currently, this is manual, and we are exploring options to automate this."

He says the bank has put in place a well-defined grievance redressal mechanism which is available on the bank's website

Says Kapoor: "Complaints are root-cause analyzed to ensure (a) proactive information to the customer (ii) action on the process to fix the customer journey map gaps and (iii) track and monitor any repeat instances that have failed and caused customer dissonance."

The bank has better routing mechanism at its contact center ensuring the routing to agent is made quicker for customers reaching the contact center with complaints or issues for any product or service. The moment Keya, the bank's virtual voice assistant, recognizes that the customer has a complaint about a product/service, it routes the customer to the customer care officers of the respective team.

Kapoor says the bank's social media team manages customer complaints most effectively. "With average first response time as low as 5 minutes, the team improves the customer experience by providing quick attention to complaints. Complaints are directed to respective teams to provide a solution to reduce and even eliminate customer dissonance," he says.

The bank's social media team has achieved average final resolution time of 12 hours to provide final resolution to the customer on social media.

USING SOCIAL MEDIA

Aviva Life India deploys an advanced customer relationship management tool that helps it address complaints received on social media within 24 hours. At the same time, it also use its social media channels



Praveen Bhat

to interact with the concerned customer and respond to his or her complaints in an effective manner.

Says Anjali Malhotra, chief customer, marketing & digital officer at the insurance company: "Our experience is that most of these complaints are related to premium payments. Therefore, we have been working to make our auto-pay facility function smoothly. Now, there are many options to pay premium, which provides flexibility and convenience to the customers."

Shetalksaboutthecompany's '30-Minute Claim Decision' service. "In line with our customer obsession, this is a proactive step to make death claims processing faster and easier. Under this service, with



K.V. Dipu

applicable terms and conditions, certain claim settlement requests are processed instantly at the branch and the family can get the documents verified there. The claim settlement letter is handed over within 30 minutes. Thus, there is no prolonged back and forth process at the backend.

Such initiatives become an important differentiator for people when they are looking for an insurance service provider," she says.

USING THIRD PARTY

Bajaj Allianz General Insurance Co has the lowest grievance percentage in the industry as per IRDAI statistics. This is an indication that the company provides good services to our customers, says K.V. Dipu, head - Operations and Customer Service at the company.

"With the help of third-party service providers, we have done research on getting the net promoter score at various stages during the customer life cycle and based on this we use ACPT framework for finding the root cause. It helps in resolving the spot transaction and it will also help in fixing it structurally. We have multilingual chatbot 'BOING', which is available across various platforms like our company's website, Amazon's Alexa and Google Assistant, and which helps resolve customer queries instantly," adds Dipu.

LEARNING OF INTERACTION

Canara HSBC Oriental Bank of Commerce Life Insurance Co claims as an organization, it has moved away from the concept of just resolving or settling complaints of the customer. The focus is to reflect at the underlying processes each time a complaint is received and this helps it to apply learning of interaction with one customer to others as well thereby reducing the probability of repeat instances. Sachin Dutta, chief operating officer of the company, describes this initiative: "We focus on providing first time resolution to customers, which is possible when company staff, interacting with customer grievances, are empowered to take calls in view of treating customers fairly (TCF). This has helped us to have a low complaint incidence rate and amongst the top players."

Dutta says another way to improve customer confidence is to keep engagement levels with customers. This helps the company being proactive and address potential comments that may become future grievances. “As promise keepers of our customers, this helps us gain trust and confidence of our customers. Engagement strategy is being driven by analytics at the back end,” says he.

He hastens to add: “We do understand that interactions may get rough at times and customers may get irate and it is at this stage that we work patiently with our customers, counsel our staff interacting with customers to offer the best possible solution. Empowerment comes really handy in such situations.”

AUTOMATION HELPS

“Today’s consumers do not buy just products or services. More and more, their purchase decisions revolve around buying into an idea and an experience,” avers Atul Tandon, Atul Tandon, national head, Operation and Customers Care at Universal Sompo General Insurance Co. He says the company’s grievances department/call center has been equipped with a system to know the policy status and claim status of each customer. And at the time of getting any grievance related to policy and claim, the staff can provide the status of the same within no time to clients. If the client wants to have a technical discussion, then the system arranges to call back where the respective technical team will handle the conversation.

The company has also developed its own claim settlement platform, a 24-hour helpline, SMS and web enabled service platform for customer guidance etc, so that it can provide efficient service to the customers.

“We understand our customers’ needs, experiences and pain points through customer feedback. The feedback forms are sent every fortnight which makes customer feel that we value them, and are willing to resolve their issues,” says Tandon.

The company uses its web hosting service provider to invite its customers to provide feedback 24x7 via 3 different channels - tickets via mails, live chat and phone.



Nisha Menon

ROOT CAUSE ANALYSIS

Digit Insurance has process-oriented initiatives to ensure that every customer complaint it receives is addressed expeditiously. Among these processes are a dedicated email address for all grievances (grievance@godigit.com), dedicated staff for a focused approach and timely resolution, dedicated single point of contact at all branch offices (grievance redressal officer) and detailed eye on the social media cases and a dedicated resource to handle these cases separately.

Praveen Bhat, vice president, Customer Experience at the company, says the company undertakes root cause analysis of grievance is done, followed with a correction in process to avoid similar instances in future. “We also do C-Sat / NPS call backs for all ‘detractors’, followed with an RCA and Action to avoid future grievances,” he says.

SAME DAY CLOSURE

Axis Bank has one singular initiative called Sun-Down, devised to ensure same-day closure of complaints. “This has led to a 2X rise in same day case closures. We use DMAIC framework to ensure that the problem is approached in a structured manner. Progress on the resolution of these problems are tracked via Monthly AOP,” says Ratan Kesh, head - Process Transformation and Customer Experience at the bank.

SATISFACTION SCORES

Nisha Menon, head- Operations & Customer Service at Magma Fincorp, speaks about the 5-step robust complaint redressal process in the company, which involves, registration, acknowledgement, response, resolution and root cause analysis. “We have a fair practice code which lays down the guidelines for treating grievances. We also proactively reach out to 1200 customers every month and get their satisfaction scores on various processes. These scores will shortly be placed into the KRA of the leadership team. We have a dedicated complaints redressal team which connects and resolves customer issues,” she says.

Suresh Sethi, MD & CEO, India Post Payments Bank, lists the customer grievance redressal efforts in place at the bank:

- ◆ Waiting time in IVR authentication reduced by process simplification after identification of customer and elimination of multiple steps have been made for the customers access the bank’s services faster,
- ◆ Outbound calling to customers whose complaints are already resolved to obtain feedback,
- ◆ Contact center agents can handle conversations with customers in 11 Indian languages,
- ◆ All complaints undergo quality checks after closure to ensure proper resolution as per turnaround times.

Sethi says a service quality initiative is in the process of being launched shortly which will cover customer satisfaction scores, branch scorecards for servicing including a proposed Ease of Servicing Index to measure the quality of service to the customer.

USING VIDEO

According to Kirti Patil, chief technology officer, Kotak Mahindra Life Insurance Co, one of the sources of complaints is the lack of understanding of features of the insurance policy and the expectations from the customers. “We have introduced a personalized video-PCVC (pre-conversion verification check) for our customer, before a policy is issued where they get a video link that provides information about the product purchased, information provided by the customers to the company and

other sets of valuable details. This helps the customer certify that the product purchased was indeed correct for him/her. The interactive video is not only convenient but also has the capability of playing in 7 different languages for the ease of the consumer,” says he.

Fino Payments Bank started seeing trends in issues which customers were reporting like unlocking their passwords, etc and resolving this used to be a fairly cumbersome process for the customers. So the bank created suitable checks and balances and equipped the customers to manage the process on their own. “The call-ins dropped by 30%,” says Anand Bhatia, CMO & head - Analytics at the bank.

He adds: “We have an internal ombudsman who has a good understanding of business and consumers. So if a case is escalated to the ombudsman’s office it is evaluated from a consumer perspective. This is important.”

Samco Securities sends a senior staff member to every customer who has lodged a complaint with the company, and the product team calls the customer and understands the feedback in detail and commit a solution. “It’s difficult to work on all feedbacks but we do get back to customers with a solution and



Kirti Patil

then follow up with calls to understand if the solution was helpful,” says Chirag Joshi, CMO at the company.

Angel Broking has adopted an omni-channel approach to eliminate disparate systems and provide the agents a holistic view of all customer interactions. Nilesh Gokral, chief operating officer at the broking firm also says continuous analysis, conversion and implementation of customer feedback are undertaken to improve systems and processes.

LISTENING ORGANIZATION

Amit Gainda, CEO, Avanse Financial Services, says his firm is a ‘listening’ organization. “We are constantly listening to our customers. We take feedback at regular intervals so that we can fix a problem, if any, on time.

Regular feedback helps us take timely action, which ultimately results in a happy customer. I believe constant listening and timely action are extremely important for improving customer experience,” says he.

The company also has an omni-channel approach, which has made it easier for customers to reach out to the company. “We have branches across the country. Our customers can reach out to us by visiting these offices. Every issue/complaint is indexed, and the customer is directed to the team who can resolve it at the earliest. We also have a customer service portal where they can login to seek information on their queries. With the help of this portal we encourage self-assistance which also results in faster turnaround in resolving issues. These processes contribute to the successful management of customer complaints and improves customer experience,” he says.

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Technologies that power CX

Digital has transformed the way enterprises deal with customers, especially in grievance redressals. Proactive these enterprises need to be to retain customers:

While digital transformation is forcing enterprises, especially those in the BFSI sector, to change their business models and adapt to the new market reality, it is interesting to note that it is the customer who is forcing these enterprises to change. Today, customers expect relevant products or services in relation to what they are doing anytime, anywhere and in the format and on the device of their choice. It is their whims that determine an enterprise’s strategy. Most organizations have already

placed customers at the center of their activities and these organizations are adopting digital and online to improve the customer experience.

Some of the trending technologies that are getting into the customer experience realm are video, real-time messaging, chatbots, AI, self-service and blockchain. There are predictions that face-to-face video communication will increase and possibly replace call centers, real-time messaging will replace email, bots and AI will increasingly assist customer service

professionals, blockchain will change e-commerce customer support and self-service will become an absolute necessity.

What are the underlying technologies that some of the Indian BFSI institutions use in enhancing customer experience?

API, MICRO SERVICES

Sachin Dutta, chief operating officer, Canara HSBC Oriental Bank of Commerce Life Insurance Co, points out that there is a greater reliance on driving API economy internally in financial services institutions.

“Micro services architecture backed by API manager or ESB is going to provide a sharp and quick architectural reform helping customers finding it easy to interact with us and making journeys simpler and intuitive,” says he.

Dutta mentions that the company is improving its chatbots to ride on established platforms available. “We have chatbots powered by AI, which provide a differential experience to our customers. Fraud analytics helps us focus on proposals that need greater scrutiny without impacting experience of other customers. This is in the process of being backed by AI and flexible rule sets that help achieve the objective of DevOps,” he elaborates.

The company continues to provide interaction platforms to its customers so that customers find it familiar rather than providing a separate ecosystem in this space. Also WhatsApp integrations for business purposes act as a good solution that customers find easy to deal with.

The company has CRM and CCM (Customer Communications Management) solutions in place, backed by a robust dialer technology, which helps the company take customer service excellence agenda to the next level/ “Implementation of these solutions is in progress and full deployment is expected in the next 2-3 months,” says Dutta, adding: “Not only the standard set of back end applications are used, but we are trying to empower the staff with sourcing and servicing apps that can reduce the turnaround times.”

The company’s CRM solution is from MS Dynamics, which is hosted on the cloud, while the CCM solution is provided by in10se. These solutions ride on ESB technology that drives the API economy agenda. The company is also working with Amazon, Azure and their partners.

DATA LAKE, AI, ML

Digit Insurance uses Data Lake, AI, ML and Cloud for its technology platform to service customers. There is an in-house developed ticketing tool to understand customer interactions and conversation history for tracking. This avoids future grievances from TAT perspective. The company has also undertaken API integration with Digit



Anand Bhatia

Ticketing Tool and IRDAI IGMS CRM for 100% transparency, reconciliation and immediate action.

Universal Sampo General Insurance Co has done real time integration with complaint portals and this has helped reduce response times, which play a large role in customer satisfaction and which is arguably the biggest contributor to customer retention. Atul Tandon, national head, Operation and Customer Care at the company, says the company is using smart CRM software which helps to ensure that everyone is on the same page - which is important in establishing high customer service standards.



Amit Gaiinda

“Many consumers are turning to social networks (especially Facebook, Twitter) for customer queries and complaints. We utilize the power of social media to bridge the gap and also improve our response times on social media queries and provide effective solutions. We have also taken initiatives to ensure a high level of technology adoption like AI application, WhatsApp integration with agency portal to enhance customer satisfaction, says Tandon.

The company has also provided areas on its website for chatbot, quick links and social media tabs where customer can get quick answers of their questions. It is using Zendesk’s cloud-based CCM, which facilitates solving tickets and tracking customer complaints on any channel - text SMS, web, mobile app, phone, email, and social media. It also uses eTracker software to automate and track the full lifecycle of a customer complaint from registration to response, with space for attachments.

Anjali Malhotra, chief customer, marketing & digital officer at Aviva Life India, says the company is using chatbots, which replicate the behavior of a human representative, while ensuring accuracy and efficiency of an advanced machine system.

“Our state-of-the art CRM is integrated with customer portal, mobile application, website, IVR and call center. This helps us get a unified view of the customer’s journey with us,” she adds.

OMNI CHANNEL APPROACH

Bajaj Allianz General Insurance Co has adopted an omni channel approach and use speech analytics and AI for all customer calls. “Our Customer Labs helps us to interact with the customer and get live feedback from them about our products and services, says K.V. Dipu, head - Operations and Customer Service at the company.

INTEGRATING INTERFACES

Kotak Mahindra Bank has a unified desktop solution that has significantly helped in handling customer complaints. Puneet Kapoor, senior executive vice president at the bank, says 8 banking application interfaces have been integrated to provide information to customer care officers handling calls from customers regarding

issues related with products and services. Also there is a one-stop solution for getting 360-degree view of customer's past interactions with customer care officers and open/closed service requests help in finding all needed information in one go.

He adds: "Channel blocking access for fraud related queries and mechanism to raise service requests have been embedded to save time and to provide quicker resolution to customer queries. Integration of unified desktop with WhatsApp for sending one-way communication about the progress of escalations raised by the customers is being developed to keep the customer updated on his query.

Ratan Kesh, head - Process Transformation and Customer Experience at Axis Bank, lists the technologies/platforms the bank has:

- ◆ Bots for first level self-service
- ◆ RPA to drive process efficiency and avoid manual errors
- ◆ Integrated CRM for Sales & Service
- ◆ Unified customer view 'Saksham' by creating an ecosystem of APIs and micro services
- ◆ Machine learning/analytics to auto-tag interactions
- ◆ AI for authentication process
- ◆ Content management tool to ensure SOP/guidelines are readily available to front end

LOW COMPLAINTS RATIO

He maintains that the bank has been able to achieve a complaints ratio of 0.29 per 1000 customers, which is the lowest in the industry. A ratio of 4 per 1000 is generally considered as decent. The bank works with CRM Next, Work Fusion, Verint (for content and speech analytics).

India Post Payments Bank allows its customers to lodge complaints even at their doorsteps through micro-ATMs. They also have this done at any of the post offices that are access points.

Currently, it is using the customer services module of its CBS and has plans to have a CRM package implemented fully integrating with all services.

Magma Fincorp has MS Dynamics CRM platform, which helps it record customer interactions and complaints. It



Chirag Joshi

can also, using analytics analyze repeat complaints and give leading indicators on customers who might have a complaint in the future. The company uses products/services from Salesforce.com, Freshdesk and Zoho.

EFFECTIVE COMMUNICATION

Kirti Patil, chief technology officer, Kotak Mahindra Life Insurance Co, says the core of handling customer queries lies in enabling proper, seamless communication stream with the customer. The company, he says, uses customized ticketing systems integrated with IGMS and a workflow to



Nilesch Gokral

identify critical complaints so that these can be resolved at the earliest. "Our customer service executives who handle customer queries are equipped with a 360-degree view of the customers' historical interactions and transactions. This not only helps them handle queries on the fly but also give a holistic resolution. We also use an out-of-the-box NPS solution to get a ground reality from our customers, which is sent to the various departments for taking appropriate preventive measures," says Patil.

Fino Payments Bank is using a product from Sapphire Technologies that automates the workflow for handling complaints.

Samco Securities has developed in-house a ticketing system to handle complaints.

At Angel Broking, strong data analytics is used to proactively understand customer issues so that the agent knows the issue faced by customer before receiving his call. There are also omni-channel solutions offering multiple options to the customer reach the company - calls, emails, chat, website, app and social media.

FEEDBACK MECHANISM

Avanse Financial Services has a feedback mechanism to measure, rate and gauge the customers' experience. "We have an online tracking mechanism in place to keep track of issues and complaints from our customers, says Amit Gaianda, CEO. "The moment we spot a problem, we make sure that we respond to our customers on time and sort out the issue at the earliest. We conduct regular surveys to find out the pain points of our customers, ideate on processes to solve these issues and implement these ideas which ultimately contributes to the reduction of TAT," he adds.

As a practice, the company measures customer experience through Net Promoter Score (NPS) survey. This tool helps it to understand the customers' sentiment post doing business with it. "We can thus keep track of whether we were able to meet their expectations and identify the gaps which needs to be taken care of. Our improved processes and gap-fixing ability have helped us reduce our TAT by 50% as compared to last year," says Gaianda.

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Bagging awards for RPA, DIYA, ESB & API

South Indian Bank won the IBA Award for 'Best Technology Bank of the Year'. The bank's CGM and CIO Raphael T.J. elaborates on the digital initiatives of the bank:

Mehul Dani: For which products/services/innovations has your bank won the IBA Banking Technology awards recently?

Raphael T.J.: South Indian Bank has won awards across all the main categories, including the Best Technology Bank of the Year, at the IBA Banking Technology Awards, 2020. The bank's IT vision, technology priorities and focus areas, the initiatives undertaken, annual action plans and IT organizational framework were discussed by the awards committee.

The bank has been highly proactive in implementing frameworks to promote innovative ideas such as cloud adoption, green technology and leveraging the power of social media. Three of our projects under the innovation track were highlighted:

- a. **Robotic Process Automation (RPA):** We have implemented RPA in our various departments and process, which has helped minimize mundane human efforts, improve our TAT and increase accuracy in processes.
- b. **DIYA (Do It Yourself using Aadhaar):** The key objective of DIYA is to promote a green environment in the bank by increasing the eKYC verified accounts, thereby reducing paper usage. It covers various customer onboarding options like biometric eKYC at branch level and account opening tabs carried by our business correspondents. It also supports self onboarding through Aadhaar OTP.
- c. **Enterprise Service Bus (ESB) and API banking:** We have exposed many of our business features in our ESB/API banking. This has helped to get new business opportunities and improve convenience and TAT for existing clients.

What are the other major technologies and applications that the bank has deployed?



Raphael T.J. anticipates a significant amount of digital disruption in the banking arena in the near future

In the most customer-centric bank using technology category, we have won consecutively for the second year. A few cases, where we leveraged technology to simplify the banking experience for our customers, were touched upon:

- ◆ Technologies deployed to enhance front-end customer experience such as AI, chatbots, RPA, advanced analytics and ESB/API.
- ◆ Engaging Big Data and Analytics for better customer profiling, which helped us offer our customers a more appropriate array of digital channels and curate highly customized products for them.
- ◆ Loan Origination System to facilitate centralized loan processing resulting in improved TAT in account opening, loan sanction and customer servicing.

- ◆ Technology initiatives introduced to reduce overheads and improve the customers' convenience.

Continuous efforts were taken to ensure security, which we believe is the cornerstone of banking. Cyber security has influenced our strategies and plans. Several information security standards, processes and protocols are followed including SIEM, DAM, perimeter and internal firewalls, NIPS, HIPS, Anti-APT, PIM, WSA, WAF, MDM, DRM, DLP, NTP and FRM. Vulnerability assessment and penetration testing exercises are also conducted regularly for all our applications.

What are your upcoming tech plans?

We have ventured into non-traditional areas of banking by partnering with fintechs and other players to offer value added services to our customers. One such initiative is SIBermart, an eCommerce comparison shopping engine which will enable customers to identify, compare and chose the best deal from all major eCommerce players. Apart from the price discovery, customers are handsomely rewarded with further cashbacks.

We believe that the new age technology capabilities offered by artificial intelligence and machine learning offer us strong tools to automate a lot of customer interactions and processes (both frontend and backend). We are already aiming at superior customer interaction with bots that can converse in a realistic manner with our customers and are able to provide real time contextual solutions to their queries. Further, we see a lot of potential in blockchain as a framework. We are already working on co-creating a blockchain ecosystem in tie-up with our peer banks. We plan to continue our exploration of multiple use cases in blockchain.

How has the bank's digital strategy shaped up in the current FY?

Our objective to focus on digital banking has resulted in the carving out of a department exclusively dedicated to spearheading all innovations, improvements and implementations of the major business-oriented projects on the digital front, viz, ATM, internet banking and mobile banking. As part of digitization, a host of services which were earlier available only through offline modes (branches), have now been made available through digital channels. The key is to create excellent customer service touch points combining the power of digital technologies. The digital banking initiatives are all aimed at higher customer satisfaction, reducing risk and improving efficiency.

How are you tackling digital disruption?

We anticipate a significant amount of digital disruption in the banking arena in the near future. Interoperability and open banking offer exciting opportunities but pose major challenges to the existing business models of banks. Open banking capabilities are being implemented through API projects. We have developed and deployed the entire stack of digital payment systems (UPI, IMPS, NEFT, RTGS, NACH, BBPS, NETC, BharatQR, BHIM Aadhaar). Our strategy is to face head-on the challenges of the changing payments scene in the country, so that our business departments can internally create value to the bank and thereby, finally, to the customer.

With global technology giants venturing into the financial world, it is imperative that we up our game when it comes to customer experience, which has been one of our prime areas of focus in the ongoing year. We are in the process of wrapping up an extensive UI/UX revamp of all our customer facing digital channels, with the objective to provide our customers with the best-in-class interfaces and navigation capabilities.

How much business is garnered approximately online and off-line?

Our share of digital transactions has been growing systematically. By giving increased fillip to digital modes of banking and educating our customers regarding the



Award received by Raphael T.J, CIO during IMC Digital Technology Awards

same, we were able to increase our digital pie from 60% to 72% in the last financial year. For the coming financial year, our goal is to increase it to as much as 85%. We also plan to move more cash transactions to digital/semi-digital mode.

SIB UPI POS, our merchant application to facilitate day to day retail business transactions is noteworthy here. This application was entirely developed in-house, and the payment mechanism is built on UPI. Going one step further, we have developed BHIM Aadhaar App which will help merchants to accept payments digitally from their customers without the need of any e-wallet or POS machine. This app authorizes the customers' payments using their fingerprint.

Our efforts in the digital sphere are reflected in the numbers as well. In the last financial year, just in UPI, we recorded a 641% growth in number of transactions. Transaction volume through internet banking, mobile banking and card channels marked growths of 84%, 52% and 18% respectively. The volume of Bharat QR transactions saw an exponential growth.

Have you extended digital banking to financial inclusion?

As part of our various financial inclusion projects, we have designed and implemented a simple, secure and smart banking product - KIOSK Banking. This is a kind of banking model deployed to provide banking services in unbanked/under-banked areas through Common Service Centres/Business Correspondents. It is a simple, easy-to-use, laptop-based solution in which an (existing/new) customer can avail basic banking services. We have also successfully migrated to Aadhaar Enabled Payment System (AEPS) in our existing KIOSK model wherein

customers can perform financial and non-financial transactions with their Aadhaar number. KIOSK has enabled our bank to involve hitherto unbanked customers in the banking system and nurture financial literacy. We plan to enable Bharat Bill Payment System, ATM withdrawal and Third Party Deposit in our upcoming tab-based banking solution which will attract more people towards digital banking.

What new analytics applications have you developed/deployed?

At South Indian Bank, we have an exclusive department which focuses on 'Business Intelligence and Analytics'. Dashboards have been developed for diverse business uses such as business development and monitoring, digital channel penetration, customer analysis, ATM analysis, ATM Idle Time analysis, ATM cash forecasting, daily transaction analysis, NPA movement, early warning system, delinquency analysis, accounts opened/closed, fund movement to other mutual funds/insurance etc. Machine Learning algorithms and probabilistic models are used and the results are conveyed to targeted business teams.

The ATM analysis dashboard monitors the overall activities happening in ATMs. This dashboard was part of a monitoring product from a vendor. The number of onsite and offsite ATMs respective to a branch and a region and the number of transactions happening in those ATMs, including financial and non-financial, and their success/failure percentages are displayed. The reasons for failures are also bifurcated. The dashboard also lists the number of remote transactions happening in other bank ATMs. Extensive analysis of the location and owners of these ATMs allows us to deploy new ATMs or relocate existing

ATMs to more profitable sites. The bank relocated 30 ATMs in the last 24 months. Reports on idle ATMs enable branches to initiate corrective action. The dashboard also provides the optimum cash to be loaded in the ATMs on a daily basis. The optimal amount shall be predicted for the coming days so that the right amount can be loaded depending on the forecasted transaction volumes. The ATM cash requirements are forecasted on a daily basis using machine learning, time series algorithms.

An analytical model has been developed for enhancing our digital customer base (mobile and net banking), based on customers' transaction patterns and their demographic information, age, usage in other digital platforms, etc. Separate dashboards are generated to list out the most probable customers who can be converted to digital channel and the list is made available to the branches as well as the controlling offices for efficient conversion. Similarly, customers' transaction patterns are also combed to identify transfers of fund to third party agents for insurance, mutual funds and share purchases, and these reports are utilised for cross-selling and up-selling of our products.

An Early Warning Model identifies trigger points to arrive at a risk score for our customers, prompting our team to strictly monitor these accounts before they turn delinquent. Alternately, we also have an analytical model developed to identify the right customer, within the existing customer base of the bank, with low probability of default and to extend them with pre-approved personal loan/Spot Credit, which can be availed by them online in a single click through SiberNet (internet banking) or Mirror+ (mobile banking).

We have a CEG (Customer Experience Group), which is a dedicated team for handling customer queries and grievances over call/email/chat/social media (direct messages). The call center is operational 24x7 whereas the other units are functional during office hours. CEG also has a dedicated unit for branch support to help the branches resolve digital channel issues.

Our CRM software is integrated with various channels such as email, mobile app for field staff, ATM, SMS and website.



South Indian Bank's IT team winners receiving the IBA Banking Technology Award from dignitaries on stage

Leads originating from these channels will be automatically pushed to CRM. Based on the business logic built, leads will be created and will be assigned to the appropriate business unit for lead processing.

How strong is your social media presence?

We allocate a significant portion of our total IT budget towards digital initiatives every year. We have marked our presence in all the leading social media platforms such as Facebook, Twitter, Instagram, LinkedIn and YouTube. There are totally around 4.5 lakh registered followers for the bank on these social media platforms. We believe that an official handle page in these social media platforms helps us meet customer expectations and gain direct customer feedback and be part of their social circle. We have integrated social media activity into customer engagement and service delivery. Apart from using the digital medium to share information about our product/services, we also use our digital media spaces to educate customers on the best security practices with respect to usage of digital transaction modes. An in-house digital marketing team works to initiate and overlook promotional activities, backed by a seasoned social media vendor and other supporting tools. The average response time for our Twitter handle and Facebook page is very reasonable.

We have also opened doors to the next level of real-time customer engagement through Facebook's Social Chatbots. Our featured offering 'SONA' (South Indian Bank Online Assistant) is equipped to cater to a customer's basic service and information needs.

Customer complaints, concerns and suggestions raised in social media platform are addressed in a timely manner by our dedicated media cell team, which we believe boosts the confidence and trust placed on us

by our customers. To provide 24x7 service to customers, we have also employed the services of a social media vendor for first level support.

All our marketing campaigns are analytics driven, thereby targeting the right customer at the right time. This has helped us in campaign optimization and in ensuring a better ROI. We continuously run 'First Impression' campaigns for new customers, 'Deepening Campaigns' to ensure improved product per customer and 'Active Again' campaigns to reactivate an inactive base. A Digital India Celebration Week (1st July-7th July 2019) was conducted, which resulted in a growth of 22% in our mobile banking transaction volume. Our mobile banking app SIB Mirror+ has more than 1 million downloads.

Who are your main technology vendors and what are their services?

When you are selecting a potential vendor, you are selecting a partner in your business and you will trust him to work with you in a professional and profitable manner. We have tie-ups with major techno vendors like Infosys, TCS, Wipro, Mindgate, IBM, Dell, etc for IT infrastructure, business applications and various outsourcing services.

Our IT division comprises digital banking and IT operations departments. An independent CISO Office has been set up with focus on cybersecurity. The digital banking department has been focusing on innovation, improvement and implementation of major projects on the digital front viz ATM, net banking, mobile banking and other emerging technologies such as blockchain, AI/ML etc. The IT operations department is responsible for technology life-cycle management and maintaining the core technology infrastructure and enterprise applications.

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India's financial services sector - Recent reforms & emerging challenges

India's financial services sector is characterized by the dominance of public sector banks. They score on large branch network, brand image and a public confidence that they are too big to fail. They would be bailed out or recapitalized by the government and therefore they are 'safe'. These assumptions are correct, but they do not detract the fact that the operating environment of banks is getting tougher, there is a trade-off between efficiency and improved financial and operational performance and the one is no longer a corollary of the other.

The government wants stronger and well capitalized institutions, able to underpin an economic trajectory of high growth.

Initiatives towards Consolidation of the Public Sector Banking

- i Dena Bank and Vijaya Bank merger with Bank of Baroda
- ii Oriental Bank of Commerce and United Bank of India merger with Punjab National Bank
- iii Canara Bank and Syndicate Bank merger
- iv Andhra Bank and Corporation Bank merger with Union Bank of India
- v Indian Bank and Allahabad Bank merger

In addition, there were 2 other initiatives:

- i The government's stake in IDBI Bank has been taken over by LIC of India
- ii State Bank of India and its subsidiaries have merged

This in no way is privatization by stealth.

Critics argue that recapitalization is just enough to meet the Capital Conservation Buffer, which enables provision coverage for NPAs. Injection of ₹700 billion by strengthening the capital position of some of these banks has enabled them to transit from the Prompt Corrective Action (PCA) regimen of the RBI. Pre-January 2019, 11 public sector banks were in the PCA regimen. Since then, Bank of India, Bank of Maharashtra, Allahabad Bank, Corporation



Deepali Pant Joshi

Bank and Dhanlaxmi Bank have moved out of the PCA frame.

RECAPITALIZATION NECESSARY

Recapitalization of banks is a necessity as their access to capital markets is constrained due to volatile market conditions. The Insolvency and Bankruptcy Code moves as slowly as its predecessors like the SARFAESI Act and these do not allow expeditious resolution to deleverage the banks' balance sheets from the overhang of stressed assets. Fresh slippages of ₹72.7 million may rise to ₹132 million by September 2019.

The banks are impacted by a severe lack of board level leadership and governance. There is a need for greater rigor in the selection of directors on the boards of these banks. It is necessary that board members should have professional capability and expertise and an ability to exercise judgment and influence decisions with fairness, accountability, independence and transparency. Also there should be efficiency in allocation of resources.

Banks are subject to frauds as the internal culture is not strong - rules are there but these are often given the go

by. Lapses in internal risk governance, non-adherence to regulatory guidelines, ignoring early warning signals, ineffective market intelligence units and compromised internal systems are some of the maladies in the system today. All these need immediate correction if these banks are to emerge as strong and sustainable institutions which do not look for perpetual capital support and succor from the government.

LOSS OF MARKET SHARE

Public sector banks' deposit share declined from 78% to 61%, and credit share from 76% to 66%. They lost deposit share to the new private sector banks which offer higher returns on savings and fixed deposits and credit share to fintech companies. NBFC vulnerability has not helped them as newer players offer finer rates.

Their risk weighted assets and NPAs of public sector banks remain high despite the ₹2.4 trillion capital injection they have received in the recent past. Their commitments to the government on priority sector loans etc are also high. Internally, their operating expenses are increasing. Trade unions remain strong and contribute to the woes of the management handling the mergers.

Yet the public perception about public sector banks as safe compared to private banks has not changed. Take the instance of Yes Bank, which despite change in management could not inspire any confidence in investors, depositors or borrowers. Its financial profile is weakening due to its inability to raise capital. However, other private sector banks like HDFC Bank have shown strong core growth. They also have a strong retail lending and MSME focus.

In sum, the operating environment for banks is tough in a scenario of slowing global growth that inevitably impinges on domestic credit growth.

- Deepali Pant Joshi, Independent Strategy Analyst
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‘Fundamentally everyone is bankable - even the poor’

SMILE Microfinance believes in the trustworthiness of the poor and it has shaped its business model on this belief:

SMILE Microfinance is an NBFC-MFI with total focus on underprivileged women, helping them with access to formal and regulated financial services like micro-loans, insurance and pension, with an aim to reduce their reliance on private money lenders. The MFI’s financial services are aimed exclusively at women in urban and rural areas, who primarily use these to fund their small enterprises or their income-generating activities.

“Core to our model is the belief that fundamentally everyone is bankable, even the poor,” says Murali Srinivas, MD and CEO of SMILE Microfinance. “However, they may need support in times of difficulty to repay a loan installment. We have opted for the JLG model, which espouses that the group should select its members by themselves without any external influence. That way the group admits members who are trustworthy and dependable from its point of view. In a case where one of the members is unable to repay an instalment, the other members of the group are expected to chip in and pay that instalment and collect it later from the member. This is a win-win model for all and one of the principal reasons for the JLG model’s success. Since the loan amount to a member is approved by the group who take cognizance of that member’s ability to earn and pay, it is still safe without collateral,” says he.

URBAN & RURAL POOR

Murali Srinivas emphasizes that he does not see any major differences between urban and rural poor. While it is a general view that urban poor are highly risky because they are migrants from rural areas, he has not found it a credible argument given the company has been in operation for 15 years in urban areas too. “From our experience we understand that in times of difficulty to sustain the basic family needs, often times it



Murali Srinivas emphasizes that it is often women, who in times of emergency, come forward to raise funds from whatever sources possible

is the woman who raises loans from friends, family, neighbors and money lenders to meet that shortfall and because of that they usually keep all channels open including local money lenders as options and keep good repayment records with all. It is also true that in the past 15 years, especially in the last 5 years, we have replaced their dependence on high cost local money lenders who charge anywhere between 800% to 4000% APR,” says he.

SMILE Microfinance’s founding team started operations as an NGO working on women empowerment projects back in 1998. They were working with the Tamil Nadu state government run SHG program for mobilizing women into self-help groups. “Those were the days when the Grameen model of microfinance introduced by Nobel laureate Prof Mohammed Yunus

started gaining credibility as a scalable model. We started working with both the models. Slowly, the Grameen model gained popularity because of its razor blade focus on micro-credit and proved that it was indeed viable,” says he.

65,000 JLGs FUNDED

Today, there are 65,000 JLGs that have received a cumulative funding of more than ₹50 billion from SMILE Microfinance for income generating activities ranging from financing a fruit selling vendor to a small farmer who would be offered funds to buy seeds and fertilizer for his crops. “Almost all our clients have demonstrated growth in income,” says Murali Srinivas, adding, “I personally think that we and other MFIs in India played an important role in providing working capital to nano and micro occupations/businesses/enterprises as the country grew its GDP in the past 15 years. We played and continue to play an important role in realizing our government’s goals in financial inclusion and I believe that if the government had not taken financial inclusion seriously, most of these micro-business entrepreneurs would have remained poor because the local money lenders would have fleeced them by charging high interest rates.”

SMILE Microfinance offers loans in the range of ₹25,000-₹35,000. The loan process is highly customer friendly. When a new customer is signed up, the front-end field officer collects demographic and household information about her and her KYC using Android tabs at the customer’s doorstep. The system automatically checks the credit bureau records and a decision is taken quickly.

UNIQUE TRAINING

All the borrowers are then mandatorily required to undergo a Compulsory Group

Training (CGT). Once a decision to offer funding is taken, the dates for CGT are decided (usually over the next 3 days). Next day, a manager check visit called Group Recognition Test (GRT) is done. If the group qualifies in these two steps, the loan is automatically sanctioned. Groups are then asked to visit the branch for documentation and the loan amount is disbursed within a day through NEFT.

SMILE Microfinance offers flexible repayment plans with fortnightly and monthly options. Cash repayments are collected during scheduled meeting days by field officers where all members are expected to be present. Attendance at these meetings are considered vital for maintaining the trust among members. The MFI is in the process of piloting repayments through digital means.

EASY SANCTIONS, DISBURSALS

Murali Srinivas speaks about the various loan products on offer: “We have a basic income generating product, which we offer with variations of loan amount and repayment schedule depending on the group’s choice. We also offer educational loans, which require proof of fee demand issued by the educational institutions concerned. We plan to expand the offering in this segment to service the entire value chain. We also provide a unique type of loan for functions like weddings which is a short-term (usually 15-day) loan averaging around ₹50,000 which is issued 15 days before the wedding. The borrowing member is expected to repay the loan in full on the day after the wedding. This product is unique because it is modelled on the expected cash gifts on the wedding day, which requires a good understanding of the local customs and economy. We plan to introduce emergency loans soon which can be deposited into the customer’s bank account within an hour of request.”

Murali Srinivas adds “Today, our customers are well informed about micro-credit and their credit bureau standing”

PLANS FOR FULLY DIGITAL

Murali Srinivas reveals that SMILE Microfinance has a clearly laid out road map for going ‘fully digital’. “Today, our



SMILE Microfinance offers medical assistance to rural women as part of its CSR program

entire workforce is equipped with Samsung tabs. We have eliminated pre-printed forms completely. Our loan management software and HR management software are on the cloud and fully scalable. We built a cloud-based proprietary software for internal auditing, and in the process of building many lines of business software for business planning and forecasting, for field staff monitoring and delinquency management. We are also exploring options to introduce an automated and unified contact and communication platform,” says he.

SMILE Microfinance is also in the process of developing the infrastructure where it will integrate the stacks of Core + with various tools like CRM engine, KYC and bank account authenticators, credit analytics, etc with redefined customer profiling algorithms, in order to enable the field operators to provide the right product / service at the right moment to the right customer. “We have chosen Amazon Web Services and Microsoft Azure platform as our partners for most of our new cloud-based initiatives and we are about to implement a cashless collection system for some loan products like business loans through NACH and UPI,” reveals Murali Srinivas.

The MFI has an effective risk mitigation model where credit, operational, financial, regulatory, liquidity and market risks are assessed based on probability of occurrence and its severity. They are categorized as high, medium and low and workflows have been built to handle these risks accordingly.

BETTER INTEREST RATES

Murali Srinivas is also forthright in revealing his business model: “We borrow

from banks and NBFCs at interest rates between 13.5% to 14.5%. Currently, we lend to our customers at 23.50%, in the process fully complying with RBI’s regulations. However, it is important to note that a plain declaration of interest rate should not be taken as final – the actual interest payout amount is a better way to compare institutional rates. We follow a unique way of computing interest in which we front-load the principal so that the overall interest payout is lesser than most of the MFIs. Luckily, our customers intuitively check for the total interest payout and find our rates cheaper. It is in fact our USP.

Says Murali Srinivas: “There is a popular misconception that MFI interest rates are high. Let me explain using a comparison. SMILE Microfinance does business in a year across its 130 branches while a bank can do such a business through mere 4-5 branches. While a bank does not offer door step services, we do – a MFI of our size typically does more than 5million door step transactions per year by employing a 700-member workforce. Also, most MFIs’ collections are in cash. It is therefore not fair to compare interest rates between banks and MFIs. One can imagine the high cost structure taking into account the volume of work and risk involved which justifies our business model.”

While the MFI had a focus on Tamil Nadu and Pondicherry initially having had its registered and head offices in Chennai, Murali Srinivas says the operations are now expanding to other states like Kerala, Karnataka, Chhattisgarh, Madhya Pradesh and Jharkhand. It will also enter Gujarat, Rajasthan and Maharashtra this year.

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SBI Card makes substantial investments in technology, customer acquisition

Cost of technology and knowledge of technology are the two pillars that give SBI Card a competitive advantage:

SBI Cards and Payment Services, or SBI Card, is the second largest credit card issuer in India both in terms of numbers of credit cards outstanding and amounts of credit card spends. RBI figures reveal the credit cards outstanding of the card company stood at 9.83 million as of 30 November 2019 and total credit card spends at ₹1 trillion in the last fiscal.

Hardayal Prasad, MD & CEO, SBI Card, says CRISIL has estimated the company to be the largest pure-play credit card issuer in India. “We have around 10 million cards in force. We have an 18% share of the Indian credit card market in terms of number of credit cards outstanding and a 17.9% share in terms of total credit card spends in the first 8 months of the current financial year. From 31 March 2017 to 31 March 2019 our total credit card spends grew at a CAGR of 54.2%, as compared to a 35.6% for the overall credit card industry,” says he.

ACQUIRING CUSTOMERS

SBI Card has a diversified customer acquisition network that enables it to engage prospective customers across multiple channels, including physical points of sale in bank branches, retail stores, malls, fuel stations, railway stations, airports,



Hardayal Prasad highlights SBI Card’s Automated Decision Engine that processes 45% of the applications without human intervention

corporate parks and offices, as well as through tele-sales, online channels, email, SMS marketing and mobile applications. Prasad says the company deploys a sales force of 32,677 outsourced personnel as of

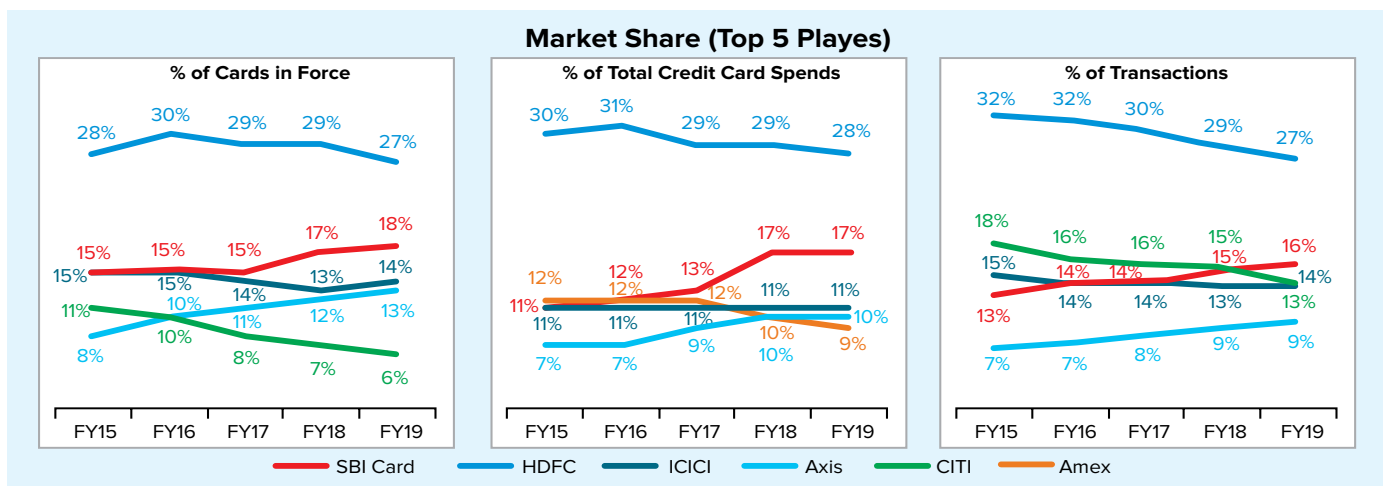
Q3 in the current FY, operating out of 145 Indian cities. It has a presence in 190 open market points of sale across India as of 31 December 2019.

In terms of new accounts sourced by geographic category, SBI Card added 2.36 million cards. Out of new accounts 1.07 million have been sourced from top 8 metropolitan areas, 460,000 from tier 2 centers, 360,000 from tier 3 centers and 670,000 from others.

The company’s partnership with State Bank of India provides it with access to the bank’s extensive network of 21,961 branches across the country that serves SBI’s vast customer base of 445.5 million. The company had launched Project Shikhar in October 2017 in collaboration with SBI to market credit card products directly to SBI’s customers. Says Prasad: “Since its implementation, the project has significantly increased the proportion of new accounts sourced from SBI’s existing customer base from 35.2% of all new accounts in fiscal 2017 to 45.5% in fiscal 2018 and 55.2% in fiscal 2019.”

INDIVIDUAL, CORPORATE

SBI Card’s portfolio caters to individual cardholders and corporate clients and the



products include lifestyle, rewards, travel and fuel, shopping, banking partnership and corporate credit cards. The corporates with whom the company has tie-ups are Air India, Apollo Hospitals, BPCL, Etihad, Fbb, IRCTC, OLA Money and Yatra, among others. It launched 6 new products in the last 9 months, as compared to 4, 6 and 7 new products in fiscal 2019, 2018 and 2017, respectively.

Says Prasad: “We offer 4 primary SBI-branded credit cards - SimplySave, SimplyClick, Prime and Elite - each catering to a varying set of cardholder needs. We currently offer one white label credit card in partnership with Tata Sons. Our corporate cards portfolio represented 0.5% of our total number of credit cards.”

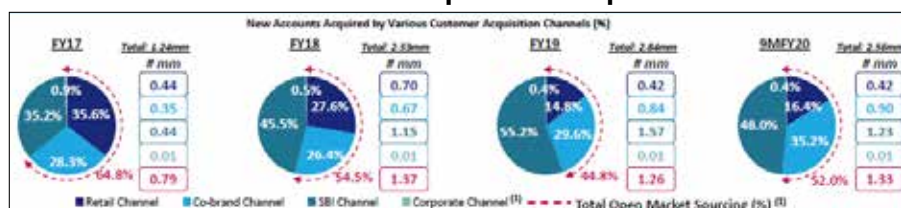
CO-BRANDED PORTFOLIO

When a point of sale is not directly managed by SBI Card, it works with its 12 non-bank co-brand partners and 9 bank co-brand partners. Its co-brand partner banks include Allahabad Bank, Karnataka Bank, South Indian Bank, Karur Vysya Bank, Oriental Bank of Commerce, Bank of Maharashtra among others. “We have been using their distribution network, communication channels and customer interactions to market our credit card products to their existing customers. Out of the aforesaid outsourced sales personnel, we have 173 outsourced work force for tele-sales,” says Prasad.

SBI YONO APP

SBI Card’s extensive physical customer

Multi-Channel Acquisition Capabilities



acquisition network is complemented by its digital sales and marketing capabilities, which include its website, mobile application and online, email and SMS marketing platforms. It has also integrated its digital customer acquisition platform with the SBI YONO interface, enabling it to market products through the SBI YONO mobile App.

RISING IT INVESTMENT

SBI Card has a modern and scalable technology platform. In addition to the operating efficiencies derived from its technology systems, the company believes that the cost and knowledge associated with the development, operation and maintenance of a technology system represents a significant barrier to entry for potential new entrants to the Indian credit card market. As a result, its technology infrastructure and systems are a key competitive strength for it. Prasad says from fiscal 2017 to fiscal 2019, the company invested ₹519.88 million in core technology systems and in building brand new peripheral applications, such as online customer acquisition, online servicing, customer relationship management, fraud

management and credit risk applications.

In fiscal 2019, nearly 45% of the credit card applications were decided by credit decision engines without human intervention.

The company’s key systems are tested for 3x-5x the current volumes. It offers real time location-based offers to cardholders. “Our app on Android PlayStore is rated 4.6 and on Apple App Store 4.7. We have launched AskILA, an AI-powered chatbot for query resolution, with machine learning capabilities. We have an automated decision engine that enable us to process 45% of the applications without human intervention. Contactless payments at NFC-enabled POS machines have been facilitated,” says Prasad.

Leveraging on its technology infrastructure the company sent on an average 91.4% of all billing statements to cardholders by e-mail and the remainder by post in fiscal 2019. On an averagem 92.9% of all bill payments have been handled as digital payment modes, says Prasad.

PROFITS & GROWTH

SBI Card has established a proven track record of consistently generating profits over the past 3 fiscal years. Its total income increased from ₹34.7 billion in fiscal 2017 to ₹72.8 billion in fiscal 2019, while net profit has increased from ₹3.7 billion to ₹8.6 billion.

India’s credit card market still remains largely underpenetrated. New-to-credit customers are expected to rise as a result of the low credit penetration in smaller cities. There is significant potential for future growth. Prasad states as part of the strategies, the company will expand its customer acquisition capabilities, tap into new cardholder segments by broadening its portfolio and stimulate growth in transaction volumes.

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Data Analytics, Risk & Cyber Security

SBI Card has developed advanced risk management and data analytics capabilities. It makes extensive use of CIBIL data and scores. It has deeper insight with trended data and triggers, used across the credit lifecycles. Hardayal Prasad says the company uses analytics in terms of scorecards tailored for specific segments, proprietary models for new-to-credit/ new-to-credit card (NTC/ NTCC) customers and cross sell, limit optimizations and account management models. “We have superior decision engines, neural network / AI / ML based transaction monitoring as well as authentication and device recognition capability. We have in place regular monitoring by CRO and risk committees, numerous portfolio triggers and dynamic portfolio management strategies. We have deployed comprehensive cyber security framework, security operations center with integrated cyber detection capabilities and experienced in-house team supported by consultants,” says he.

Economic risks boost prospects of gold

Gold becomes the ultimate safe haven:

Gold, usually considered a safe haven asset, tends to benefit from economic uncertainty. MCX Gold made nearly 25% rally in CY 2019, which marked its fourth yearly gain, and has risen over 12% so far in CY 2020. Ravindra Rao, VP and head, Commodity Research, at Kotak Securities explains that the metal yields no interest and tends to benefit in a low interest rate scenario. In domestic market it has hit record high this year owing to gains in international market and weakness of Indian rupee, he says, adding: "Global financial markets are facing a new risk at present, which has caused a shift from riskier assets to safe havens. With increasing risks to global economy, central banks have taken steps to support their economies. Australia, Malaysia, the US and Canada are some of the central banks that have cut their interest to support their economies. Governments across the globe are also taking fiscal measures to support local business. Monetary easing and fiscal measures have added to the appeal for gold."

Bullion trading has picked up significantly, particularly in gold. 'COMEX Gold Futures', one of the world's largest financial derivatives exchange in the US, has given 18% positive returns in 2019. Jigar Trivedi, fundamental research analyst (Commodity) at Anand Rathi Share & Stock Brokers, says central banks' easy money policies, uncertainty surrounding the trade war between the US and China, geopolitical risk in the Middle East, investors preference for ETFs amid economic downturn in the Euro zone and most importantly central banks buying gold have all supported the rally in 2019. "IMF, OECD, World Bank all have spoken of economic slowdown due to Corona virus. The year 2020 is just 2 months old but gold has only gained instead of falling. Safe haven buying has emerged in gold. Hence, with rising prices, trading too has increased," says he.

BONDS VS GOLD

The yield on the US 10-year Treasury Note has slipped below the Fed's benchmark interest



Ravindra Rao

rate. Since 2008, the last time this particular yield curve entered a state of inversion was in May 2019; it was exactly at that time that the gold price saw a 3-month, 22% rally as investors became exceedingly worried over the global growth outlook as well as a tightening of Fed monetary policy. Ravindra Rao says one of gold's biggest competitors is US Treasury Bonds, particularly when the yield on these bonds is rising. However, when bond yields are dropping, gold enjoys a competitive advantage as a safe-haven investment, he adds.

The latest yield curve inversion has already prompted the US Fed and other central banks to lower benchmark rates. Fed has already cut interest rate by 0.5%. Ravindra Rao says more central banks are likely to follow suit. "With major central banks holding interest rate at record low level, it is likely that they could consider unconventional measures to support the economy and keep liquidity high. Therefore, we might be looking at a repeat of 2019 explosive move in gold," says he.

₹50,000/10 GRAM

On the COMEX, gold has topped the \$1700/oz mark. Spot Gold came out of a 6-year congestion zone in mid-2019 when it broke out of the multi-year resistance



Jigar Trivedi

zone of \$1350-1360. Since then gold has been on an up move and may continue to benefit from safe haven buying and loose monetary policies. Ravindra predicts that it has rallied sharply on safe haven buying due to sell-off in crude oil price amid signs of Russia-Saudi price war. Subdued physical demand and profit-taking at higher levels pushed gold prices in India off record highs. Gold's 'fear factor' and 'currency component' might push it above all-time highs, he says, adding it is set to break past the ₹45000/10 gram. Instability in global financial markets might test the immediate resistance and target zone of \$1800/oz.

SHIFT TOWARDS SILVER

Silver has a strong positive correlation with gold. It is considered as a precious metal as well as an industrial metal. It has underperformed gold in the last few years as support from gold has been offset by losses in industrial metals. Ravindra Rao says that while weakening outlook for industrial demand is a major dampener for silver, it may continue to benefit from safe haven buying as risks to global economy continue to rise. Additionally, the sharp rise in gold price is also likely to cause some shift towards silver.

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Digit settles flight delay insurance instantly

Digit Insurance is heavily dependent on technology and this has really made a difference to the customer:

Online insurance company Digit Insurance has introduced a flight delay insurance product that identifies a flight delay of an insured beyond 90 minutes, seek the boarding pass details of the insured through SMS and settle the claim instantly. Industry standard is to offer insurance cover for flight delays beyond 6 hours and the claims are settled most often manually and, in several days, if not weeks or months.

Such a quick settlement of the claims has been possible for Digit Insurance because of its high level of technology induction and working in an environment of total automation, says Gangadhar S.J. head - Technology at the company. He explains further: “We offer a three-step, 100% automated claims process for our flight delay products. For instance, if your flight gets delayed beyond 90 minutes, we track it ourselves and send you an SMS asking for your boarding pass details and bank details. The claims money will be sent to the customer as per his or her preference - account or credit to the source of booking.”

BUILT-IN APPS

Gangadhar says the company uses different technology solutions for different products and processes to help its customers with an easy and fast settlement of the claims process. “Our in-house developed apps, like the pre-inspection app, help us with a faster turnaround time for claims while rightly recognizing the challenges involved. We use API integrations and real-time data analytics to provide a faster claim experience to the customer in the processing of travel delay claims. We incorporate machine learning, which helps us in faster reconciliation, float management, fraud management and claims settlement. For instance, for motor insurance, we use image analytics to detect the damages of the vehicle with the help of the self-inspection app. It helps the customer by speeding up the process and claims settlement,” he elaborates.



Gangadhar S.J. claims Digit Insurance's smartphone based self-inspection app has brought down the claim settlement period drastically

The app, developed in-house, allows customers to take pictures showing the condition of a bike or a car, which gets uploaded into the company's system automatically through the link. In manual systems, it takes typically up to a week for this process to close.

AUDIO CLAIM FACILITY

Gangadhar points out to the audio claim facility that the company has developed where customers can just register their claims over a call. Once that is done, they can assess the damages to their vehicles through a DIY smartphone-enabled self-inspection app. Then with the help of image analytics and AI, the company quickly checks the damages, thereby speeding up the entire process of claim settlement.

He points out that since an insurance cycle typically includes the onboarding process, inspections and claim processes at each stage of this insurance cycle, Digit

uses different technology solutions to make the processes simple and fast, Says he: “We are an insurance company that is 100% on the cloud, so it helps us fetch information quickly and seamlessly. Apart from ML, AI and image analytics for faster fraud management and claims settlement, we use data lakes for better personalization so that customers can have a relevant and relatable experience. We believe in technology with empathy; that technology should aid humans and not replace them. Hence, we have API integrations that help our partners facilitate faster change management. We also run bots whenever there are repetitive tasks to increase employee productivity.”

TO 10 MINS FROM 7 DAYS

Digit Insurance has consciously worked with technology to reduce the time taken for the claims process. Gangadhar says typically, people spend around 7 days for the claim process. However, at Digit Insurance the time is cut to 10 minutes using the self-inspection app after the approval of a claim to process the payment. “Time was required essentially due to manual checking and filling of data for all the parts of the vehicle that were damaged and for which the claim was approved. We felt this time could be shortened, so we now run a bot for it, bringing down the time by almost 50%, to 2 minutes and 30 seconds,” he elaborates.

The company is also making use of AI and ML extensively in fraud detection. These technologies help in assessing the damages quickly based on details sent to the company through the self-inspection app. ML also helps in automizing repetitive tasks, like claim payouts, thereby making the overall process faster, adds Gangadhar.

The company has now undertaken, under the Sandbox initiative of the IRDAI, development of innovative sachet products that will be heavily dependent on technology in a bid to make the insurance journey smoother for the customer.

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Cloud & talent speed up tech transformation at Aegon Life

Douglas Kennedy, CTO, Aegon Life Insurance, shares details about challenges, focus technologies, talent pool in India, etc:

Ravi Lalwani: Which are the emerging technologies for Aegon Life Insurance in 2020?

Douglas Kennedy: Aegon Life Insurance had a monolithic policy administration system, and we used to rely heavily on external vendors for support. In the last 18 months, we have diversified and launched our own micro-service and event-driven architecture developed by our team. We have used the policy administration system purely as a product configurator. We have used small functionality from the traditional supplier. But now we have the full capabilities within to really innovate and push forward to our customers in future.

Cloud has helped us take a huge step forward. The technology available on the cloud is enormous and there is a lot of functionality that was not there a few years ago. Apart from the cloud, ML and automated interfaces are the other focus technologies for us. We are working on the data ecosystem that brings us a range of architecture that allow us to see real time happening of the events and decide what to do with those events. Using data science, we can use data immediately to help our customers; this is a major push for us. We use data to fully understand customers and then take them forward.

What are the challenges faced by the company in making Indian customers tech-friendly?

Adoption of the latest technologies is difficult for the Indian customer and this is a challenge for us. We are working to move our customers to self-service for better experience. But we are not taking away call centers and one-to-one communication services. Self-service technology is easier for day-to-day use through a progressive web app or through an application as opposed to the traditional channels. But



Douglas Kennedy

adoption of self-service is still low among our customers.

When we reach out to the customers, explain the self-service app and tell them why we are trying to do it, we are sure the adoption will increase. In fact, the adoption has increased considerably in the last 6 months. We have seen Indian customers comfortably using applications like Ola, Swiggy, etc, so it is a matter of time.

Which technologies have you adopted to improve CX?

Making the data available that customer wants to consume is the key thing from the customer perspective. We work very hard on creating external APIs that can be consumed across the customer experience. The customer can do whatever he wants with the data. And we have built our processes on cloud platform. We don't have any data centers.

Cloud providers help us to rapidly build and deploy technologies that allow us to experience, learn and quickly adopt the

customer experience. We are continuously trying to evolve that experience and we can do it because the available data quickly allow us to innovate, try ideas and measure customer response. We can quickly elevate to replace that functionality. During the last 2-3 years, things have changed rapidly to improve the customer experience. We are now focusing on personalization of the customer experience.

Customer experience is based on the data that we have about the customer and we tailor the experience based on that data - which is a huge step for us. We will adopt the same applications used by Ola, Uber, etc, by using big data and ML. Our applications will be based on what customer wants and it will be a major step for us. We expect to launch some related applications this year.

We have introduced 'I Assist' by using Progressive Web App, or PWA. It was launched by Google 18 months ago and provides full app experience on any mobile device. It allows customers to use standard functionalities like GPS, camera, etc. PWA also allows applications to run on Android, iOS or desktop applications. The technology allows a single experience for customers.

What is your observation about the talent pool available in India and its contribution to Aegon Life's success?

India has a huge wealth of talent; the speed of innovation is high in the country and I have not seen this anywhere else. For example, we have launched our retail platform in 4 months, it was built from scratch with the help of our technology team at the operational center in Pune. This type of talent pool helps companies to deliver better. Indian talent is not just totally competent, but the attitude and ability to read technologies is one of the major strengths for us.

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UAE is quite advanced in use of blockchain

The UAE started quite early in developing blockchain-based solutions for various sectors, including oil, tourism and banking:

A recent study suggested that the United Arab Emirates (UAE) could save more than \$3 billion by deploying blockchain technology in various areas of operations. The study, carried out by the Center for the Fourth Industrial Revolution UAE, the Dubai Future Foundation and the World Economic Forum, assessed the current level of blockchain applications and the key challenges and success factors associated with the technology and found that savings can be brought out in areas such as in government agencies, large organizations and in the public sector. Some 100 organizations from over 60 governmental and non-governmental entities that already use blockchain participated in the study. One of the key findings is that by integrating blockchain into its operations, the UAE government can drastically reduce paperwork, eliminating 398 million printed documents and 77 million work hours per year.

In the UAE, nearly 80% of public and private sector entities today use blockchain. The country, along with Bahrain and Saudi Arabia, is leading the charge when it comes to positive crypto and blockchain legislation. It has launched a number of blockchain-related initiatives, including the Digital Silk Road which aims to digitize the trade process, the development of the country's first financial document exchange platform based on the technology, and the Silsal blockchain project with the objective to provide greater security, transparency and efficiency in shipping and logistics.

BLOCKCHAIN STRATEGY

The first major initiative in the use of blockchain was the launch of the Dubai Blockchain Strategy in 2016 by which the UAE government took active steps towards advancing the technology nationwide by creating new industries, pushing for wider government adoption and creating an international platform where cities worldwide can collaborate. Subsequently, in April 2018, the Emirates Blockchain Strategy 2021 came into being focusing

on 4 main themes - happiness of citizens and residents, elevating government efficiency, advanced legislation and international leadership. Together with the World Economic Forum, the UAE hopes to increase the use of the technology aiming to transform 50% of government transactions into a blockchain platform by 2021. It proposes to use blockchain for digital transactions, giving each customer a unique identification number that points to their information on the secure chain. Information and data on the blockchain cannot be hacked or changed, which will ensure the digital security of national documents and transactions and eventually reduce operational cost and accelerate decision-making.

Several government institutions in the UAE have adopted the technology in various fields and a number of banks have piloted their own applications. Extensive studies on the applicability of blockchain led to the development of systems for sectors such as oil and gas, tourism, real estate, finance and banking and transportation and logistics. These systems have indeed brought in efficiencies in oil production and marketing. Immigration and visa processes can be speeded up using the technology as also consumer behavior can be studied and analyzed resulting in faster visa processing time and immigration facilities.

What has really created a push for the use of blockchain in the UAE is the active involvement of the government, banks and blockchain startups which are working together to launch innovative projects.

ENTITIES USING BLOCKCHAIN

Some of the entities in the UAE which make extensive use of blockchain are:

DP World, a world leader in global supply chain solutions, has been exploring new solutions and technologies, including the ability to share data and automate processes through open APIs and smart contracts.

Emirates Airlines is making use of blockchain to enhance its Skywards loyalty



Smart Dubai has rolled out as many as 20 blockchain-based services in the UAE

program by reducing the time and cost of on-boarding loyalty partners.

Emirates NBD tested its blockchain in 2016 for cross-border transactions and trade finance documentation in partnership with ICICI Bank in India.

Etisalat Digital, a business unit of Etisalat, has created a new platform using blockchain to address the challenge of frauds.

Abu Dhabi Digital Authority has been developing a government blockchain platform to enable and support a secure, trusted data-exchange mechanism between Abu Dhabi government entities and any other external organizations.

SMART DUBAI

Smart Dubai is the government office tasked with facilitating Dubai's citywide smart transformation. It runs Dubai Pay, a centralized payment gateway for government payment collection along with more than 40 public and private entities. One of the most significant challenges that sparked Smart Dubai's interest in applying blockchain was the lengthy and costly manual reconciliation and settlement process, which took up to 45 days. A majority of entities in the Dubai Pay platform have joined the new blockchain platform. With the implementation of the platform, reconciliation process has been cut from a 45-day process to real-time resolutions.

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MFI sector expands outreach, increases loan disburseals

The microfinance sector has shown good performance in the third quarter of 2019-20, expanding reach and sanctioning a greater number of loans:

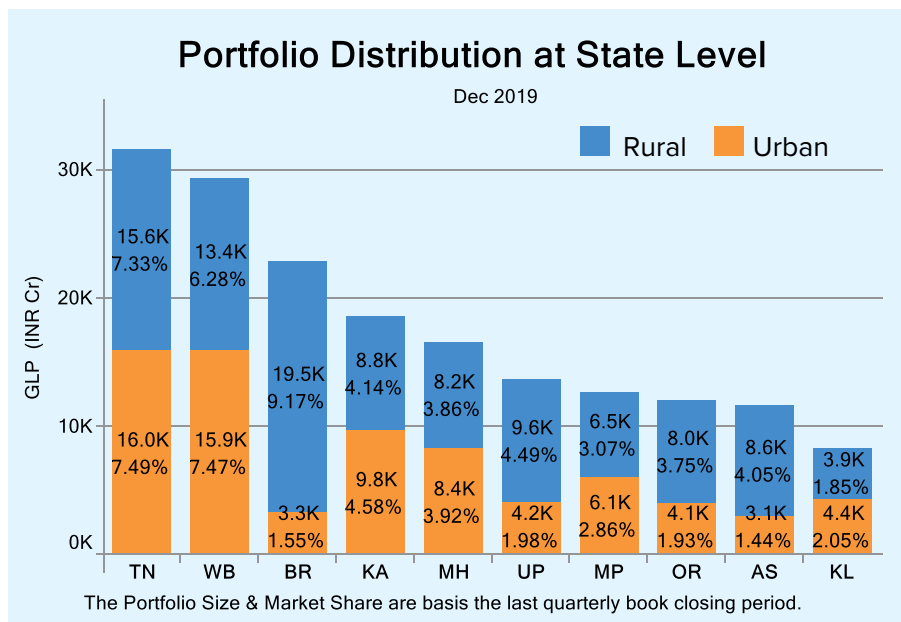
The microfinance sector has expanded its outreach to 62 million live customers with 106 million active loans as of December 2019 with banks dominating the market during the 3rd quarter of 2019-20 with a gross loan portfolio (GLP) share of 39.6%, which is a marginal fall over the previous quarter. The GLP share of NBFC MFIs increased by 0.8% over Q2 FY 2019-20. The average ticket size of microfinance loans stood at ₹33,200 in December 2019, which is a 10.3% yoy growth, and disbursements grew by 22% in value and 10% in volume in Q3 FY 2019-20.

These are the highlights in the latest quarterly report CRIF Microlend, brought out by credit information bureau CRIF High Mark. The report observed that there is a steep qoq growth of 8.5% in the industry portfolio in Q3 2019-20 and 26.5% yoy. Disbursements during the quarter grew by 5.9% in value over Q2 and 22% over same period in the previous year. Early delinquency portfolio at risk (PAR) 1-30 is 1.9%. PAR 31-180 is at 1.5% by December 2019, which is 50% higher than yoy level.

WRITE-OFFS HIGHER

The overall write offs in the sector as of December 2019 stood at 1.4% of the portfolio, 10 bps higher than the previous quarter. Write offs for banks stood at 0.2% and for NBFC MFIs at 1.7%, which is higher than the national figure for December 2019.

The north eastern region saw a 3% qoq degrowth in the quarter, marked by high repayment stress due to the socio-political factors affecting the region in the current quarter, the report pointed out. The report also highlights that the GLP of the microfinance sector stood at ₹21290 billion at the end of Q3 with a yoy growth of 26.5%. “The quarterly growth of 8.5% has been remarkable compared to the 1.3% in the quarter prior. Both rural and urban geographies witnessed steep growth as compared to the previous quarter, with the rural sector growing at a phenomenal 10% as against 1.6% in the previous quarter



and urban sector at 6.6% against 1% in the previous quarter. The rural sector continues to increase in size, standing at 56% of the national GLP in December 2019, & quot; the report said.

HIGHER AVERAGE EXPOSURE

The report says as of Q3 2019-20, the average ticket size per loan was ₹32,300, having increased by 10.3% yoy. The average microfinance exposure per borrower has grown by 5%, settling at ₹35,800. West Bengal, Tamil Nadu and Karnataka recorded higher average exposure, as compared to the national average and among these, West Bengal recorded the highest average ticket size with a yoy growth of 9%. Just 7.71% of borrowers from Tamil Nadu have loans running with 4 or more lenders and the proportion of such borrowers has been declining since June 2019, reducing by 7% in September 2019, and by another 18% in December 2019, it said, adding the proportion of borrowers associated with up to 3 lenders increased in December by ~2X of quarterly growth (2.5%) in the overall borrower base in Tamil Nadu.

The disbursed amount in Q3 2019-20

in rural geographies saw a qoq growth of 7.9% as against 3.2% growth qoq in urban geographies. CRIF pointed out that Tamil Nadu and West Bengal remain the top 2 states with the best loan book performances, while Rajasthan witnessed highest yoy growth of 47% during the quarter.

DELINQUENCIES

The report cautions about delinquencies, which have remained high as of December 2019 above the 1% threshold, with small ticket sizes contributing to the maximum NPAs. “Banks have shown deteriorating asset quality with an increase in both 1-30 and 31-180 DPD buckets across rural and urban geographies. Maharashtra, Karnataka, Uttar Pradesh, Odisha and Madhya Pradesh, continue to suffer from high 180+ delinquencies as of December 2019, largely attributable to the existing bad pre-demonetization loan book. Assam due to the recent unrest between borrowers and lenders has witnessed high early repayment stress during the quarter, & quot; says the report. Meanwhile, Tamil Nadu and West Bengal remained the top 2 states with the best loan book performances.

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Canada offers incentives to homebuyers

The mortgage market in Canada is well developed and mortgages are common for homebuyers:

In the last 3 years, there have been several changes in the mortgage rules in Canada, the latest being the one that was part of the 2019 federal budget, which provided for the First Time Home Buyer Incentive. The government said this was aimed at helping first-time homebuyers afford a home in the country's heated real estate market. The government has entrusted the responsibility of administering this program to the Canada Mortgage and Housing Corporation (CMHC) and the incentive of up to C\$1.25 billion will be available to eligible homebuyers over 3 years. Some of the eligibility conditions are that households with incomes less than \$120,000 can qualify to receive a 5-10% incentive (like an interest-free loan) towards their home purchase; homebuyers must have a minimum down payment of at least 5% (insured mortgage); the maximum mortgage value plus CMHC loan is capped at around \$560,000; and if it is a new home that qualifies for the full 10% incentive (i.e. \$40,000), the mortgage amount falls to \$340,000, potentially giving a saving of \$228 per month (mortgage payment falls from \$1,971 to \$1,743) or \$2,736 per year.

Homeowners who take advantage of the plan can repay the loan at any time and it does not bear interest. The incentive part of the loan must be paid up within 25 years or when the house is sold.

USING RRSP FUNDS

The government has also offered a provision in the 2019 budget to increase the amount that can be used from Registered Retirement Savings Plan (RRSP) from \$25,000 to \$35,000. This means that couples will now be able to withdraw up to \$70,000 from their RRSP to put towards a home purchase tax-free.

The government has brought in a few changes in the real estate market in the last one year. There is now a stress test for all insured mortgages where the home buyer has less than 20% down payment, with new buyers having to qualify for mortgage loans

at the Bank of Canada's benchmark rate. Similarly, there is restriction of mortgage insurance to owner-occupied dwellings, shorter maximum amortization period, a purchase price of less than \$1 million, and a minimum credit score of 600. There is a similar stress test for uninsured mortgages where the buyers have 20% or more of their down payment.

3 MN HAVE MORTGAGES

A report prepared by Mortgage Professionals Canada in early 2019 says 3 million homeowners out of 9.8 million in Canada had a mortgage, 6 million Canadians had Home Equity Lines of Credit (HELOC), 68% of mortgages had fixed interest rates, 89% of mortgages had an amortization period of 25 years or less and the average mortgage interest rate was 3.09%, up from 2.96% in 2017.

An earlier report for the period ending 30 November 2018, prepared by the Canadian Banker Association indicated that out of 4,759,706 mortgages, only 0.24% were in arrears – about one in 423 mortgages, Saskatchewan had the highest arrears rate with 0.82%, Ontario had the highest amount of mortgages (2,008,299) but the lowest arrears rate (0.09%) with 1,836 in arrears.

Canada has several types of mortgages. Popular among them are:

- ◆ Conventional / low ratio mortgages, where the down payment is equal to 20% or more of the property's value/purchase price.
- ◆ High ratio mortgages where the borrower is contributing less than 20% of the value/purchase price of the property as the down payment. These types of mortgages must have mortgage default insurance through mortgage insurance companies.
- ◆ Open mortgages which allows a person the flexibility to repay the mortgage at any time without penalty. Open mortgages usually have shorter terms, and rates are typically higher.



Canada Mortgage and Housing Corporation

- ◆ Closed mortgages are those that cannot be prepaid, renegotiated or refinanced before maturity.
- ◆ Fixed rate mortgages are those where the interest rate is determined and locked in for the term of the mortgage.
- ◆ Variable rate mortgages / adjustable rate mortgages have the mortgage rate changed during the term of the mortgage.
- ◆ HELOC, which is a revolving line of credit secured by the home bought.

The top mortgage lenders in the country are: First National, Scotiabank, Home Trust, MCAP, TD Canada Trust, Equitable Bank, B2B Bank (Laurentian Bank), National Bank, Partner Mortgage and Street Capital.

ALTERNATIVE LENDERS

An interesting aspect that was noticed in the mortgage market in Canada is the fact that an increasing number of homeowners are turning to alternative lenders. Alternative lenders, which take on clients with riskier profiles for shorter terms at higher interest rates, held 1% of Canadian mortgages in 2019. There were 200 to 300 active alternative lenders in the country holding \$13 billion to \$14 billion of outstanding Canadian mortgages. Alternative lenders account for close to seven per cent of the market based on dollars, since average loan size is about half the size of bank loans.

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Systematic approach towards open banking

Brazil has published a draft regulation on open banking for public comment and the country's central bank intends to roll out the ecosystem in the third quarter of 2020:

Brazil's central bank, Banco Central do Brasil, had been discussing open banking since 2018 and subsequently drew up a plan to start regulating the system by the third quarter of 2020. It has in November 2019 published a draft regulation for public consultation.

The central bank is expected to define the roles, responsibilities and liabilities of licensed third party providers (TPPs), payment service providers (PSPs) and banks in the proposed ecosystem. In fact, the central bank envisages the regulation to be a combination of PSD2, the open banking system adopted by Bank of England and the one Hong Kong Monetary Authority has prescribed. It is expected that the proposed regulation will have a strong focus on payment and deposit accounts and functions. Banks will also be required to create a governance body that shapes open banking from a strategic, administrative and technical perspective.

10 ENTITIES TO BEGIN WITH

To start with, about 10 large financial institutions are expected to be brought under the purview of the regulation. Among them are Bradesco, Itaú, Banco do Brasil, Caixa Economica Federal, Santander, Banrisul and Citibank. Other regulated entities that are not included in the plan can participate voluntarily as well.

IDEAL MARKET

Brazil is a large country with some 210 million people and a single legal framework across the country unlike EU with multiple regulators and deviating implementations of PSD2 in the 28 EU member states. The country has a young tech- and innovation savvy population (more than 127 million are online users and more than 23% of the entire population is between 15 and 29). More than 150 million people use online banking facilities and there are an estimated 45 million unbanked people, who can be target audience for financial

inclusion, which can be easily ushered in through open banking.

The central bank is proposing to allow the market to work out the finer operational points through a self-regulation mandate. However, it will oversee such self-regulation, avoid conflicts of interest and to ensure open banking reaches its full potential and benefit.

Some of the key products and services that are envisaged to be introduced under the open banking ecosystem as per the guidelines are:

- ◆ data on the products and services offered by participating entities, such as the location of service points, product characteristics and financial costs;
- ◆ customer registration data, such as name, affiliation and address;
- ◆ transitional data of clients, such as the information relative to deposit accounts, credit operations and hired services; and
- ◆ payment services, such as payment initiation, transfer of funds, payments of products and services, and more.

2 DISTINCT ENTITIES

The regulation proposes to create 2 distinct entities - donors and receivers. The model requires that authorized institutions (donors) adapt their systems for the purpose of sharing their customers' data and making payment services available to receivers, always with the customers' consent. Institutions will be authorized to access the data to offer products or initiate payment orders on behalf of the customers, always by obtaining the free and express consent of the receivers.

Other authorized institutions, including payment institutions, will also be included in the second phase of implementation. The regulation will allow donor institutions to share data and make payment services available to non-regulated institutions, subject to the following requirements: (a) execution of a bilateral agreement, contemplating the



Banco Central Do Brazil

parties' liability, among other minimum requirements not yet published by central bank, and (b) maintaining donor institution accountability for shared data.

CHALLENGES

The implementation definitely faces challenges. The main one involves APIs. The definition of minimum technical specifications, such as the standardization of API protocol and security systems, is essential to mitigate the risks of data leakage and possible cyberattacks. Additionally, it is necessary to establish a model of data sharing, authentication and the gathering of customer consent. The central bank has given hints that unlike some countries where the technological and/or operational issues were specifically addressed by regulation, in Brazil it will be done through self-regulation under the coordination and supervision of the central bank.

Brazil expects that implementation of open banking would ensure that the changes and improvements intended with the implementation would meet the 4 basic functions - more financial citizenship, increased modern legislation, a more efficient National Financial System and cheaper credit. The way the Brazilian regulator has gone about in implementing the ecosystem could well be a model worth emulating many of the countries waiting at the doorsteps of open banking.

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APGB boosts IT infrastructure

A. Venkata Reddy, chairman, Andhra Pragathi Grameena Bank, talks about technology infrastructure upgradations and training needs:

Andhra Pragathi Grameena Bank (APGB) has upgraded its technology infrastructure to handle growing number of customers and transactions. The new technology infrastructure includes data center, servers, storage systems, routers, switches, firewalls, bandwidth, desktops, laptops, ATMs, etc. Headquartered at Kadapa in Andhra Pradesh, the bank has received Skoch Award for financial inclusion and financial inclusion technologies in 2018-19 as well as Assocham Award for best technology.

DC, DRC INFRA

As digital transactions are growing by leaps and bounds with the introduction of new products like UPI, the bank too has upgraded its infrastructure to cater the needs of new customers and to handle the rise in the volume of transactions. Chairman of the bank, A. Venkata Reddy, says the bank has beefed up its data center and DR site to ensure hassle free operations and improve uptime and throughput, and reduce TAT. The infrastructure upgrades include new servers, storage systems, routers, power supply infrastructure, UPS capacity, firewalls and bandwidth. The bank has installed IBM Power 8 servers and IBM Power Systems S822 to ensure high performance per core as well as per socket. Also Enterprise class All-Flash Dell VMAX 250F storage has been installed while VPLEX integration has been done for SAN. In addition, DS-6510 B SAN switches have been installed at DC, DR and near DR sites. It has also undertaken Dell EMC Unity integration with near DR site.

The bank has also installed a number of WAN routers, VPN routers, key routers, WAN edge switches, access switches, core switches, third party routers, third party switches, internet routers, internet switches replication routers and NDR routers. Dual power supply has been provided for redundancy. Cisco FMC 1000 Firewall has been installed at DC and DR site. Check Point 5800 next generation threat



A. Venkata Reddy is keen that APGB conducts training for its staff on products, vigilance awareness, new initiatives, inspection and fraud monitoring and ePayments

prevention appliance for high availability has been commissioned. EMC Secure Remote Services has been implemented for remote monitoring, diagnosis and repair.

“We now intend to upgrade the bandwidth at all branches and admin offices from 64 kbps to 2 mpbs. We have opted for RF technology for primary connectivity and 4G MPLS technology for secondary connectivity as backup. This will reduce the turnaround time for completing a transaction, which ultimately results in customer delight and satisfaction,” says Reddy.

MOBILE VANS

The bank has 108 ATMs across 5 districts of its operational area - Ananthapuram, Kadapa, Kurnool, Nellore and Ongole. Of these, 2 ATMs are in demo vans that were introduced with the financial assistance from NABARD. These vans are equipped with audio-visual equipment and they travel to remote locations for creating awareness

on digital transactions and enabling transactions using cards. The bank has 552 branches as on 31 March 2019.

TRAINING NEEDS

The bank conducts periodical training on core banking solutions that are updated from time to time. It would like to conduct training on products, vigilance awareness, new initiatives, inspection and fraud monitoring and ePayment solutions like NEFT/RTGS, IMPS, AEPS and UPI. The bank has 2 dedicated learning centers called ‘Andhra Pragathi Institute of Banking and Management’. One is located at Ananthapuram regional office and the other at the head office in Kadapa.

Reddy says these learning centers have dedicated staff to design the training programs as per the needs. “Both the learning centers have state of the art lab infrastructure to conduct hands on sessions for the participants. Our staff is getting trained on latest technologies in IDRBT too and the major areas where training is offered are secure coding practices, cyber defense, early warning Systems, Vulnerability Assessment and Penetration Testing (VAPT), web application development and mobile application development,” he adds.

NEW INITIATIVES

The bank has undertaken numerous new initiatives, including internet payment gateway integration through BillDesk, BBPS service in mobile banking, eTHIC (Online Inspection & Audit Software), eKYC and SHG Dual Authentication at business correspondents locations, improved look and feel for internet banking portal and biometric login for all CBS users.

The bank offers certain services at BC locations and Reddy lists them as PMJDY account opening through eKYC, AEPS On-Us and Off-Us transactions, RuPay On-Us transactions, SHG Dual Authentication, RD flexi account opening and third party credits.

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Sumant Kathpalia is MD & CEO of IndusInd Bank



IndusInd Bank announced that Sumant Kathpalia will be the next MD and CEO of the bank when Romesh Sobti retires on 24 March. The Reserve Bank of India has approved his appointment to the position. Kathpalia will be MD & CEO of the bank for 3 years. He is currently heading the bank's consumer banking business. A chartered accountant by qualification, Kathpalia has been with the bank since 2008. Before joining IndusInd Bank, he led the consumer banking business of ABN Amro Bank. He has also worked with Citibank and Bank of America.

Gurbaxani is MD & CEO of Dhanlaxmi Bank

Dhanlaxmi Bank has a new MD and CEO. Sunil Gurbaxani has taken charge of the bank on 27 February. He will have a tenure of 3 years at the bank. A veteran with 35 years of banking experience with State Bank of Bikaner & Jaipur (now State Bank of India) and Axis Bank, Gurbaxani has handled various roles and responsibilities including operations head, AGM, assistant vice president, vice president, senior vice president and executive vice president. He is an MBA and a post-graduate in economics. The position has fallen vacant after T. Latha resigned on 30 October 2019 due to personal reasons.



Puneet Sharma is CFO at Axis Bank



Axis Bank has appointed Puneet Sharma as CFO of the bank. The bank said his appointment is an attempt to strengthen the top management at the bank. Sharma was the CFO of Tata Capital and Tata Capital Financial Services. He was associated with the Tata group for over a decade. The position of CFO had become vacant after Jairam Sridharan had left the bank in December. Sridharan has joined Piramal Enterprises as CEO of its Consumer Finance Business. Sharma has also worked as vice president in Citibank and also with Boston Consulting Group and KPMG in India. He is a CA.

Rajesh Kumar to be new head of Cibil

Rajesh Kumar, who was group head for Retail Credit and Risk at HDFC Bank, has left the bank to join credit information bureau TransUnion Cibil as its MD and CEO. He takes over from Satish Pillai who has moved to become the president of Asia region business of the US-based company. Rajesh Kumar has 2 decades of experience at HDFC Bank and has helped the bank to grow its retail lending book to \$50 billion. He had a team of 3000 officers working with him. At Cibil, he will be responsible for steering the India business into the next phase.



New head for NABARD

Chintala Govinda Rajulu, a deputy managing director at NABARD, has been appointed chairman of the development bank. Govinda Rajulu's name has been recommended by the Banks Board Bureau for appointment as chairman to succeed Harsh Banwala. The government is expected to issue a formal notification about his appointment soon.

Nanoo Pamnani passes away

Veteran banker and chairman of Bajaj Finserv Nanoo Pamnani passed away in Mumbai. He was 74. Pamnani was appointed chairman in 2019, after Rahul Bajaj resigned to take over as chairman emeritus of the company. Pamnani was brought by Sanjiv Bajaj in 2008 when he was chosen to head the financial services business. Pamnani, who was Citibank's youngest CEO in India at 37, took over the responsibilities of vice-chairman at Bajaj Finserv just after Bajaj Auto was de-merged whereby its manufacturing undertaking has been transferred to new Bajaj Auto (BAL) and its strategic business undertaking consisting of wind farm business and in-house auto financing business has been vested with Finserv.

Hadi Riachi to head Swiss Re in India

Swiss Re has appointed Hadi Riachi as CEO of Swiss Reinsurance Company India branch. He will take over on 1 April, subject to regulatory approvals. He will succeed G. Satish Raju, who has decided to pursue career opportunities outside Swiss Re. Hadi Riachi joined Swiss Re in 2015 as head of Property & Specialties for Corporate Solutions in Shanghai, China, where he covered a wide range of P&C lines. Most recently, he was head of North Africa. In India, he will be based in Mumbai and will be driving growth across Swiss Re's Property & Casualty (P&C) and Life & Health (L&H) business lines in India.



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కాలపరిమితి	నిధాన వడ్డీరేట్లు	సీనియర్ సేవింగ్స్
15 రోజుల నుండి 90 రోజుల వరకు	6.25	6.25
91 రోజుల నుండి 180 రోజుల వరకు	7.25	7.50
181 రోజుల నుండి ఒక సంవత్సరంలోపు	7.50	7.75
1 సంవత్సరము మరియు అపైన	8.00	8.50

సీనియర్ సేవింగ్స్ మూడు సం॥ల కాలమునకు ఒక లక్ష డిపాజిట్పై వడ్డీ నెలకు రూ. 703/- పొందండి.

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బ్యాంక్ పనిచేయు వేళలు

(సోమవారం నుండి శనివారం వరకు)
ఉ॥ 9.30 నుండి మ॥ 2.00 వరకు -
మ॥ 3.00 నుండి సా॥ 6.00 వరకు
ప్రతి నెల 2వ మరియు 4వ శనివారం సెలవు.

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Akkyapalem (Main Branch), VSP	0891-2573612
MVP Colony, VSP	0891-2574646
NAD Kotha Road, VSP	0891-2514344
Muralinagar, VSP	0891-2526644
Kancharapalem, VSP	0891-2574822
Seethammadhara, VSP	0891-2716922
Gajuwaka, VSP	0891-2576433
Madhurawada, VSP	0891-2565222
Pendurthi, VSP	0891-2741021
Anakapalle (VSP Dist.)	08924-226611
Narsipatnam (VSP Dist.)	08932-224344
Chodevaram (VSP Dist.)	08934-245866
Payakaraopeta (VSP Dist.)	08854-256118
Rajahmundry (E.G. Dist.)	0883-2426222
Palakol (W.G. Dist.)	08814-222401
Bhimavaram (W.G. Dist.)	08816-225399
Eluru (W.G. Dist.)	08812-221616
Jangareddigudem (W.G. Dist.)	08821-223559
Tanuku (W.G. Dist.)	08819-227255
Machilipatnam (Krishna Dist.)	08672-220154
Mangalagiri (Guntur Dist.)	08645-233222
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