

Analytics coming to public sector banks

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With competition set to hot up, PSBs will be under increasing pressure to retain customers, especially the profitable ones



Mumbai, February 27:

Imagine a bank having the tools to judge whether you are a good customer or not. It can then sell you appropriate products and reward you selectively for helping it make some profit. Or a bank having the capacity to judge whether a particular loan officer has a higher propensity to give risky and loss-making loans. It can then safely and skilfully steer new cases away from such officers.

Or perhaps if the bank had a way to figure out that most of the loans given in a particular geography were risky, it can institute some risk-mitigation measures.

Welcome to the world of analytics in banking. This is something that many private banks in the country, such as ICICI Bank, HDFC Bank, Axis Bank and Kotak Bank are already doing. Typically, these banks have used analytics to mine and put to use their vast store of customer data as well as social media data that are now available.

For instance, they have used analytics to help improve their sales and marketing efforts to cross-sell products and ensure they get a higher proportion of customer spends or 'share of wallet'. Some have been able to use patterns to figure out

suspicious activities by customers and identify potential cases of money laundering.

Some banks have also been able to improve their collection and recovery efforts through the use of analytics.

Getting into the game

What's new now is that public sector banks are also getting into this game. Among the banks which are establishing analytic units or having them staffed now are large public sector banks, such as Bank of Baroda and Union Bank of India. They may be a bit late as they themselves will readily acknowledge, but perhaps it is a case of better late than never.

Explains a public sector HR manager, "Customer preferences are changing. We have to focus on changing trends. We have to use statistical modelling and other techniques to help us reach the right kind of customers. These projections are being done continuously.

"With core banking solutions now operating, the data are available but we have not been able to utilise it well. That is why we need to set up an analytics unit to enhance our business."

Globally, the trend towards increasing analytics use in banking picked up as economic growth slowed and margins began to shrink, compelling banks to fight to retain good customers. That is a situation that is now facing all banks in India.

Economic growth, which was earlier predicted to be around 8 per cent in FY17 and FY18, is likely to be around 6.5-7 per cent. Loan growth for banks, which as a rule of thumb should have been 18-20 per cent, is crawling at a third of that.

With new competition coming during the course of the year, public sector banks will be under increasing pressure to retain customers — especially the profitable ones. Figuring out who they are will be the first important step — and they will need analytics for this. Other banks will soon have to set up similar units.

Private banks have used analytics to cross-sell products and ensure they get a higher proportion of customer spends or share of wallet

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