

'New tech can forecast default probability'

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Nitin Chugh, Country Head-Digital Banking, HDFC Bank - BL

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Innovation has been driving HDFC Bank's day-to-day operations for over four years now. In an era where technology is fast changing, HDFC has been ahead of its competition in terms of acknowledging the changes and collaborating with new-age fintech players. Recently, the bank launched an accelerator programme to engage with fintechs at a global level. Talking to *BusinessLine*, Nitin Chugh, Country Head - Digital Banking, HDFC Bank, dwells on the bank's recent digital initiatives, and how technology can help bring down NPAs and improve collections. Excerpts:

Collaboration has been the buzz word in the banking industry. How does it help fintechs and big banks like yours?

Banks, obviously, benefit since they get access to new innovations, new ideas and new technologies quickly. It's not that you can't think about it, but there is no harm if someone has already thought about it, and you have a way of partnering and implementing it from a bank's point of view.

From a fintech's point of view, most of them are a few years old, and they are also looking at partnership. This will give them access to scale and the experience and knowledge that we have, and that will help them design and change their products accordingly.

How many fintechs have you already worked with?

We started collaborating in 2015 and, back then, everyone thought it wasn't a good idea to work with fintechs. Now, we have some 30-odd engagements working in various parts of the bank, and we always have a pipeline of around 65-70 at various stages, where somebody is at the proof of concept or ideation stage, testing stage, or planning to go live with their products.

Recently, we partnered with the United Kingdom's Department for International Trade (UK DIT) and start-up accelerators 91springboard and IvyCamp. We will have more such partnerships, where we will engage with the accelerators globally so that we get access to the start-ups and fintech communities.

Which areas are heavily dependent on fintech?

A few years ago, you would have found that 40 per cent of fintechs were in payments, 30 per cent on the lending side, and the balance a combination of everything else. Now, if you look at fintechs, most of the interesting works are in areas such as AI, Machine Learning, BlockChain, IoT and VR.

How has the banking process changed for HDFC since 2015?

Banking at the core doesn't change; it is same business of borrowing and lending and other transactions. What has changed is the way people bank and what people expect from banks. So, now, no bank can say that they will offer convenience as that is default; you have to give something more than that.

How are you reaching out to customers who are not-so-privileged and do not have access to technology?

We help them understand technology. To give an example, we have something called 'missed call banking', for which you don't need high-end phones. Many customers start with that. A lot of customers start with small-ticket transactions, such as recharge and bill payments. Gradually, once they become comfortable, they begin to use other digital offerings.

What is the base of these customers?

We have about 85 per cent of our transactions that are digital. Every month, about 40 lakh customers carry out transactions via feature phones; and this number continues to grow. In fact, we are building more services on feature phones by using the missed call facility as a backbone.

Can the issue of NPAs be solved through technology?

I really don't know how it can also solve the problem of NPAs because that is something very different from what we do in the bank. But, in general, lending can become more judicious (am talking about consumer lending). In general, lending can become more accurate, more predictable, and sharper by the use of technology, which is what we are trying to do.

Is there scope for digitising collections?

Very much. I can't tell you exactly what we are doing since that is proprietary. But the ability to forecast the default probability, for instance, becomes very accurate by using the new tech and can help improvise your collection efforts; new tech can help your programme collection efforts or repurpose your collection efforts in a manner that is a little more accurate, and the return on effort is higher.

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