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Digital Empowers ICICI Bank To Play With Unit Economics

Earlier the product ticket size was high because the cost of acquisition was high, however now, since the customer acquisition cost has collapsed due to the power of digitisation, the banks are able to sell small and customised products, says B Madhivanan, CTDO, ICICI Bank



There are three forces reimagining the banking scenario. The power of mobility with enhanced features is enabling banks to deliver more and empowering the customers to do more with a few clicks on demand vis-a-vis what PCs were able to do before; the cloud infrastructure is a big story because it has opened up an avenue for a scalable and easy connectivity with the country's digital ecosystem – GST, Aadhaar and other components of the India Stack. The power of mobility and the cloud infrastructure is resulting in the third force of massive data getting generated i.e digital exhaust. "If these three forces impacts our processes then we include it in our definition of digital. Which is backed by technology. Digital and technology both go together and I handle both. In case they are looked at separately then it becomes a subject of political battle internally in the organisation," says B Madhivanan, CTDO, ICICI Bank.

The definition of digital has three aspects at ICICI Bank: Run, Transform and Reimagine.

Run: Previously it involved providing services in a branch, ATM, etc. The objective now, is to provide the same services in a digital mode. Transactions done using ATM and branch are not covered in the definition of digital transactions. "Currently, 82 percentage of the

bank's financial and non financial transactions are done using digital mediums. Cards, internet, wallet, ecommerce, etc, where the cash is not involved are considered as digital. We have done nothing new. The IT systems have been changed to accommodate the demand for digital mediums. Accordingly, changes have been made in the data centre. They are now, more modular and reliable. This allows us to make transactions sans any hand offs or handovers," says Madhivanan.

For example, the emergence of UPI post DeMo. Instead of cheques, people preferred UPI transfers. It was possible only after the technology stack was put in place to create a scalable model to process UPI transactions. The cheques are still issued but post DeMo, it has reduced. This has a direct and positive effect on the cost to income ratio. There is no income earned but the costs have reduced dramatically. From reconciliation, to clearance, to operations, it's a long and time consuming chain with as many cost items involved. The reconciliation job, which requires dedicated hiring has become digital and thus reduction in costs excluding the commensurate investments made in technology.

The earnings have remained still and are growing with the volumes booming because of the number of digital mediums available, coupled with the ease of accessing them.

For all this to happen, it requires a robust and scalable data centre. VMs can be spun off on demand. This in turn requires skill sets, which can manage both internal and external cloud environments. AI and ML skills are also a part of the skills repertoire. "We have the workforce, who has upgraded themselves. The classic engineers are using the Cloudera and other mediums to upskill themselves. For the aforementioned skills, I am not recruiting from outside. The current workforce is upskilling themselves and managing the tasks," says Madhivanan.

Transform: In the 'transform' aspect, the focus moves from the backend as was in the 'run' aspect to banking processes. The technology is now getting introduced in the middle and frontend, in addition to backend.

One of the banking processes is customer onboarding. Hitherto digitisation, it was heavily paper based, for example, asking for salary, income and bank statements, etc. The TAT to onboard a retail, corporate, SME customer was seven to seventy days. The bank is equipping the employees with tablets and the IndiaStack ecosystem to make them more productive. The KYC and other processes are done using the mobile device, "Our ability to reconstruct the process using the mobile device and processing capability of the backend is enabling the digital transformation," states Madhivanan. Now, the bank employee is processing more customer onboarding applications and also doesn't have to visit the branch for details submission.

The digitisation of bank processes requires the shift from the hitherto practice of Six Sigma to the current practice of creating customer journeys, which asks for skills in design thinking. "These skills are not available from inside the bank and thus we are hiring them (product managers) from ecommerce, payment, fintech and new age media companies. But we are not dependent only on them. As we work with digital agencies, the internal workforce is also getting trained. The plan is also to extend these roles from the CTDO's office to every department, which helps employees across functions to communicate in a common language," informs Madhivanan. The employees are joining in as product

managers, product leads, tech leads, etc. The fresh talent hired from these agencies on an outsourced basis is also working in the UI/UX function. The bank is getting the the fresh talent to train the existent workforce. "Our workforce is given a KPI to acquire the skills from the outsourced staff, who work on a temporary basis, on a project related work," he says.

Impact on cost to income: The bank spends close to `300-400 crore annually on customer sourcing. It involves costs incurred on call centre, sales agents, branch, etc. The bank's 20-25 per cent business is sourced through these cost items. The assisted models devised by digitisation can considerably bring these costs down and the amount spent on digitisation is negligible compared to the gains. The target is to source fifty percent business from call centre, sales agents, branch. "My cost of sourcing will virtually eliminate because of digitisation, which will have a direct bearing on RoI," says Madhivanan.

Reimagine: The power of digital is empowering banks to play with unit economics. Earlier the product ticket size was high because the cost of acquisition was high, however now, since the customer acquisition cost has collapsed due to the power of digitisation, the banks are able to sell small and customised products. For example, the ticket size of term loan insurance, SIPs, personal loans are going down considerably. Loans can now be also given to pay monthly bills, unlike before when the perception was that loans can only be given for buying fridge, TV, ACs, etc. This is where the power of AI, ML will come in. "We have a 150 member Business Intelligence Unit (BIU). It consists of data engineers and data scientists. The data scientists provide the insights, but without the backing from data engineers, who are experts in data storage and management, they will not be able to get sharp insights. The data scientists are in demand and they attrite fast," informs Madhivanan.

The job of a data scientist is a combo of engineering and data both. The bank hires such functions from Indian Statistical Institute, PG Courses pass-outs from IITs. This year, 15-20 data scientists were hired by the bank. The only worry, according to Madhivanan is, they will use the first job as a starting point, to learn and then move on to tech companies who will pay them through the nose. Precisely, why a fintech and Innovation Hub has been set up by the bank, where 15-20 IITians have been hired, and where the bank has found some early successes.

So, overall the strength of the technology team is 650 and the outsourced staff amounts to over 2000. Every employee's skills inventory is documented in terms of core areas, experience, etc. This exercise helps in the skills demand supply match. The staff is moved accordingly to projects where the skills match. "Still the annual attrition rate is 15-16 per cent, but we are able to manage, reasonably well," informs Madhivanan.

The 15G form process has been RPA enabled. These forms are processed only during year end, but when most of the branch employees are engaged in managing them, the robotisation has reduced costs and enhanced employee productivity.