

FE **INDIA'S BEST BANKS** WINNER | DIGITAL BANK OF THE YEAR

● **V VAIDYANATHAN**, MD & CEO, IDFC FIRST BANK

'Real value-addition is in the service and solutions'

With an in-house technology stack and a revamped app, IDFC First Bank is looking to enhance customer experience. **V Vaidyanathan**, MD & CEO, tells **Shobhana Subramanian** that good service levels have given the bank the ability to reduce interest rates and yet grow deposits. Excerpts:

Tell us about the tech stack and the revamped app 'Wow' from IDFC...

We are a new bank and we built an advanced tech stack. We used it to launch an advanced mobile banking app with a good UI/UX. We have reached 15 million downloads. Our app is cloud native built in-house, microservices-led and built with modern engineering practices. It is connected to several external ecosystems like airlines and hotels for customers to redeem rewards points on the fly. More important, it has advanced security features. Then we have built an experience layer on top of this stack.

Could you give us an example of how this works?

For instance, we identify the

reasons why customers call the call centre and we build solutions into the app. One very common request was for the statement of accounts. We introduced the solution within the app. So now customers don't need to call us for that. The speed of the app makes the difference. Transactions can be done virtually in seconds. A good tech stack improves experience at the branches and the call centres.



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Could you give us a sense of how much the technology will help boost the business?

There is a direct correlation to profitability. Service capability has given us the ability to reduce interest rates. We were paying 7% on savings accounts, then we reduced it to 3% on up to ₹5 lakh. Now we have reduced rates for ₹5-10 lakh also but our customer balances are going up by 25%. Also, it saves us a lot on transaction costs. Using tech for services and solutions is much less expensive. If a customer comes to the branch to open a fixed deposit with a form, it costs us ₹150. But digitally, it costs us zero. Crores of transactions have moved to mobile. Also today, many things cannot be done the conventional way.

What about the lending side?

On the lending side, thanks to digitalisation, our ability to expand the market has gone up. Generally, the market says that MSMEs have high levels of defaults. But, our experience with MSMEs has been great even though we opened up many greenfield segments. For 15 years, except Covid, our GNPA and NNPA have been less than 2% and 1%, respectively. With digitalisation our ability to introduce separate scorecards for, say, salons, *kiranas* or restaurants, rather than MSMEs as one cohort has gone up. It has allowed us to open up all of these segments one by one and give many loans and migrate them from an

informal market to a formal one.

What kind of digital solutions are you offering customers?

We are differentiating between basic services and value-added solutions. In a savings account, for instance, we allow seamless investing in mutual funds or fixed deposits, some services, financial planning and risk profiling, which is value addition. This results in customers dealing with us, provided our transactions are blinding fast. Similarly for businesses, we have integrated tax solutions with Tally, accounting software and HR software. Customers don't see much value in a core solution but if we build in other solutions, they see value.

In what other ways has technology helped the bank in reaching out to customers?

We are now able to send out 4,000 ads simultaneously. This is real-time testing and we are getting the feedback in 2-3 days. Earlier, we would run a campaign and it would take three months for us to know whether it's working or not. More than marketing, however, the real value addition is coming from the service and solutions. For instance, if a credit card transaction has been declined when you have swiped it at an outlet, normally you would get an SMS informing you of what has happened. But now the app will tell you why this has happened and will also give you a solution. For instance, the settings in your app may have been set for an inadequate limit. Of course, the call centre will also tell you this but you can get the information immediately from the app.

