



# DIGITAL TRANSFORMATION

## The Case of South Indian Bank



# Credits

## Acknowledgments

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## About IFC

IFC—a member of the World Bank Group—is the largest global development institution focused on the private sector in emerging markets. We work in more than 100 countries, using our capital, expertise, and influence to create markets and opportunities in developing countries. In fiscal year 2020, we invested \$22 billion in private companies and financial institutions in developing countries, leveraging the power of the private sector to end extreme poverty and boost shared prosperity. For more information, visit [www.ifc.org](http://www.ifc.org).

## About HiFi

Harnessing Innovation for Financial Inclusion (HiFi) is the World Bank Group's program aimed at scaling up financial inclusion on a sustainable basis by harnessing technology and innovation. The HiFi program is funded with UK aid from the UK Government and implemented by the World Bank Group through the International Finance Corporation (IFC), the Finance, Competitiveness and Innovation Global Practice (FCI GP), and the Consultative Group to Assist the Poor (CGAP).

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### Going Forward

# 1. BACKGROUND AND INTRODUCTION

Mobile and internet banking now account for 24% of the bank's transactions.

In 2016, South Indian Bank (SIB), a mid-sized private bank (currently third largest in southern India), looked to transform its Retail and Small and Medium Enterprise businesses (SMEs). SIB's transformation strategy focused on improving its digital channels and processes in order to drive customer engagement and mobilize deposits.

To better ensure successful implementation of this strategy, SIB partnered with IFC. IFC developed a shareholder value creation program and helped management identify opportunities to boost acquisition and usage of both current and savings accounts and to grow the bank's portfolio. The strategy leveraged technology and digital channels to target Retail and SMEs as well as opportunities with microentrepreneur and women-owned businesses. An additional goal of this transformation was to improve efficiency and support growth by reducing the weight of transactions on SIB's branch network.

SIB was already executing its comprehensive digital transformation strategy which included scaling up digital channels, migrating branch-based transactions to payment and mobile banking channels, and implementing a digital customer onboarding process to acquire retail customers. IFC supported SIB with:

- Finalizing the process flow for TAB Banking - digital Aadhaar-based onboarding.
- Knowledge sharing and workshops on new digital initiatives by financial institutions to create a benchmark for SIB.
- Restructuring the customer rewards platform to scale up digital transactions.
- Implementing a digital customer onboarding process to acquire retail customers.

As of May 2019, (i.e., 2.5 years into the project), SIB had onboarded approximately 1 million new current and savings accounts, and issued 1.5 million new debit cards. The bank also positively capitalized the opportunity that prevailed in the industry due to demonetization to scale up its acquiring business and deployed 7,000 additional point of sale machines. A corresponding analysis of transaction data reveals that clients are gradually shifting from branch towards digital channels. Mobile and internet banking now account for 24% of the bank's transactions. This shift has resulted in operational efficiencies for the bank and convenience for the customer.

The following case study assesses how these digital initiatives transformed SIB's business model and the bank's relationship with its clients. The study will enumerate the lessons from this experience and seek to gauge early customer and bank-level impact of this digital transformation. Amongst the broader set of engagements and pilots undertaken by SIB, this study will provide an in-depth review of the experience of implementing two digital initiatives:

- Driving adoption of card payments by boosting issuances and strengthening incentives for staff and customers
- Developing the digital onboarding process

It should be noted that early in this partnership, India experienced unprecedented changes in payment digitization as a result of new banking regulations and a government demonetization initiative (Box 1 and 2). These externalities which were beyond the control of the bank, affected the scope and scale of the project, and required SIB and IFC to adapt bank products and services to the new environment.



## Box 1 India Stack

With the government policy of opening bank accounts for all citizens (Pradhan Mantri Jan Dhan Yojana<sup>1</sup>) India was on the verge of a banking explosion. By March 2016 (i.e., within 1.5 years of policy implementation), 214 million new savings accounts had been opened with a total sector deposit balance of INR 356.72 billion (US\$ 5.14 billion). Moreover, the government launched a host of inter-operable payment media through its payment arm, the National Payments Corporation of India (NPCI<sup>2</sup>), and the banks and fintechs responded by aggressively expanding their merchant and payment gateway businesses. It is estimated that the mobile and online payments will grow from the current volume of US\$ 10 billion a year to US\$ 190 billion by the year 2023.<sup>3</sup>

To further the cause of digital banking, in 2016, the government implemented its flagship “India Stack” program aimed at creating a paperless, presence-less digital financial ecosystem.<sup>4</sup> The essential platforms required for program implementation were also facilitated by the government in the form of Aadhaar (UIDAI), Aadhaar Enabled Payment Systems (AePS), and supporting regulations.<sup>5</sup>



Aadhaar is a countrywide database having biometric and Know Your Customer (KYC) details of the citizen. Banks and service providers can access the Aadhaar database for instant biometric identification and KYC authentication of clients through smartphones, tabs, or POS devices. The regulator allows Aadhaar to be considered as e-KYC, thereby limiting the need for physical verification. The Aadhaar database can also be leveraged for electronic authentication of transactions. The objective of the program is to create a presence-less access and authentication platform.



Aadhaar Enabled Payment Systems (AePS) has created platforms (e.g., UPI<sup>6</sup>, Bharat QR<sup>7</sup> and BHIM<sup>8</sup>) to allow real-time validated push-and-pull transactions between ubiquitous inter-operable bank accounts using biometric and other Aadhaar details (phone number, PIN, UPI ID<sup>9</sup>)

## Box 2. Demonetization

In November 2016, the government announced a limited “demonetization” policy, whereby currency notes of defined denominations (INR 500 and INR 1,000) were taken back by the Reserve Bank of India and restrictions were imposed on cash withdrawals and transactions above a certain limit.<sup>16</sup> The result of this policy was that 86% of the currency in circulation had to exit the market. This led to a severe shortage of cash, especially at ATMs. Due to the combination of the limit on ATM withdrawals and the shortage of cash at ATMs, ATM withdrawals dropped off significantly as customers flocked to banks to withdraw cash.

These events gave an inorganic push to digital transactions in India, and ATM-based withdrawals have never fully recovered. Digital payments have partially absorbed the difference, with point of sale payments jumping to 300 million transactions per month between November 2016 and March 2017 – up from a countrywide averaged of 122 million payments per month prior to demonetization. This increase, it should be noted, was made possible by a parallel increase in the point of sale infrastructure of the country. Although merchant transactions have dropped somewhat since demonetization, the new baseline is still significantly higher than that of the pre-demonetization period.

Demonetization has clearly contributed to increase awareness and comfort with mobile and online payments. With the doubling of the merchant numbers, the advent of Unified Payment Interface<sup>17</sup> transactions, and the education of customers on digital transactions, the proportion of cash transactions in total consumer spending in the country has dropped from 78% in 2015 to 68% in 2017.<sup>18</sup> While electronic payments have grown at a compounded annual growth rate (CAGR) of 57% (in volume terms) from 2016 to 2018, mobile banking transactions have grown at a CAGR of 92% (in volume terms) in the same period. As of March 2018, 93% of all retail payments were through electronic mode.<sup>19</sup>

## 2. DIGITAL INITIATIVES AT SIB

In early 2016, SIB accounts showed limited activity – only 6.3% of the savings accounts registered more than five transactions a month. An analysis of SIB's data in early 2016 identified a positive correlation between the number of transactions and the average account balances of a customer. With this information, SIB management sought to improve its value proposition in order to increase customer transactions (and consequently fuel growth in balances) and encourage them to use SIB as their primary bank (Box 3).

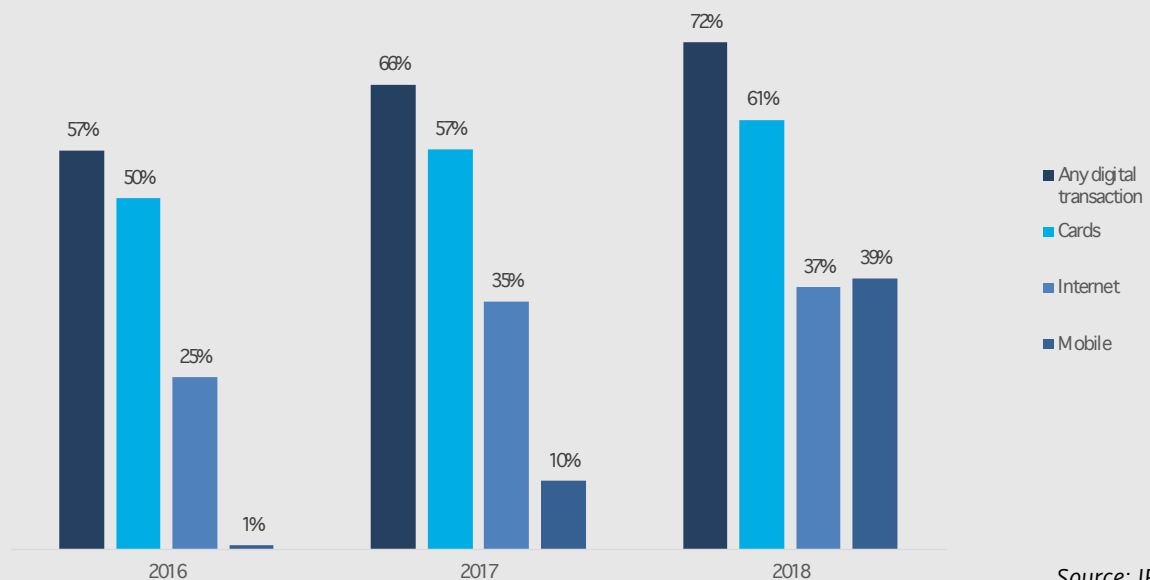


### Box 3: Customers Analytics at SIB

The IFC team analyzed customer-level data to better understand account level digital transaction dynamics. For this purpose, SIB facilitated anonymized transactional data for a random sample of over 7,000 customers<sup>10</sup> from January 2016 to December 2018. The analysis surmised that the percentage of customers using digital channels (ATMs, Internet Banking or Mobile Banking) had grown from 57% in 2016 to 72% in 2018, with mobile banking users growing exponentially.

The data of customers provided by SIB revealed that digital users are most likely to be young adults (25-34 years old) from the South Indian region who have opened their bank account in the last few years. There is a marginal difference in the usage based on gender disaggregation.

In addition, digital banking customers have shown higher propensity to remain active<sup>10</sup> and provide higher value to the bank. Digital banking users are 14% more likely to be active in any given month.



Source: IFC

At this stage, SIB branch staff was primarily focused on transaction processing and had limited bandwidth for business development; according to a 2018 IFC time-and-motion study of SIB branches, 62% of the branches devoted at least 75% of their human resources for transaction processing. This left little time for business development, including customer acquisition and activation. In response, SIB management sought to invest in solutions that would improve transaction processing efficiencies. These solutions were expected to result in an improved experience and value proposition for SIB customers, leading to a growth in customer enrollment and activity.

SIB developed a roadmap to leverage digital channels and processes to increase the bank's customer base to 10 million account holders, increase usage and balances of accounts, and make SIB the primary financial institution for a greater share of its customers. In order to achieve these targets, SIB would have to transfer the load of operational transactions from branches to other channels. This would enable branch staff to dedicate more time towards business development and grow the current and savings accounts ratio from 24% to 30% and the corresponding volume of deposits. IFC Supported SIB in the digital onboarding of new customers.

Transaction processing at the branches left little time for business development, including customer acquisition and activation.

## 2.1 Digital Channels

SIB launched a comprehensive program to improve the user experience of its digital channels and offer competitive banking services through the digital platform. The three-fold purpose was to increase usage by existing customers, to attract new customers, and to reduce the weight of transactions on its branch network.

At the onset of the project in 2016, mobile and internet banking services accounted for just 6% of SIB's customer transaction volume. SIB's range of products underperformed due to their not being integrated into a unique selling proposition for both customers and staff. To address the low transaction volumes, SIB implemented the following targeted initiatives:

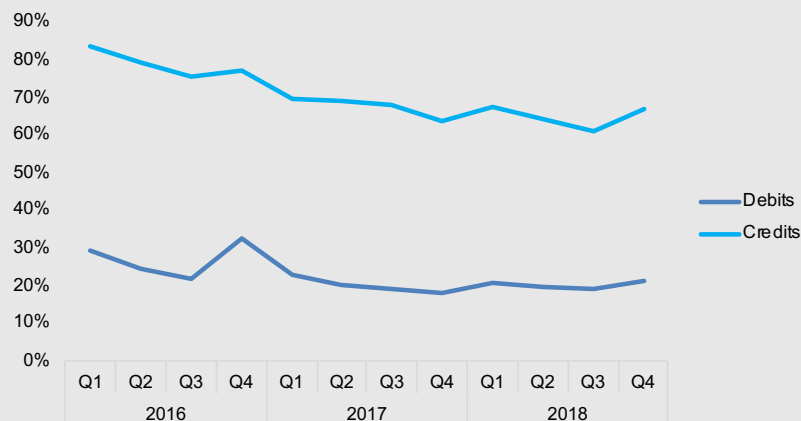
- **Payments:** Unify payment products in the mobile banking and internet banking applications for increased customer convenience.
- **UI/UX:** Enhance user interface and customer experience of the mobile banking platform. Develop a new SIB Mirror Plus application with a user-friendly interface, adding key features such as payee account listing and instant transfers (enabled through IMPS<sup>11</sup>).
- **Channel mobilization:** To improve mobile banking, internet banking and debit card usage, the bank initiated (i) Digital channel mobilization structure to ensure digital promoters at multiple levels, (ii) Digital training included in Bank's continuous learning programs and induction programs, (iii) Launch of client education and activation campaigns, and (iv) Revamp of the loyalty program (SIB Rewardz).
- **Common leadership:** Establish a specialized digital banking vertical directly responsible for all digital banking and payments initiatives.

*These initiatives led to a marked decrease in SIB's branch transaction volume concentration rate<sup>12</sup>, from an average of 46% at the beginning of 2016 to 34% by early 2019.*

Digital channel initiatives were particularly effective in driving the digitization of debit transactions (e.g., withdrawals, payments, and transfers). The share of these transactions processed by SIB branches dropped from 29% in 2016 Q1 to 21% in 2018 Q4, a 28% decrease. Credit transactions through branches also saw a substantial reduction, dropping 20% (from 83% in the first three months of 2016 to 67% in the last quarter of 2018 (Figure 1). Also, in line with the Industry, the Bank scaled up the marketing activities by way of campaigns, promotion of scheme offers, merchant tie ups & partner tie ups for improved digital transactions.

Digital channel initiatives were particularly effective in driving the digitization of debit transactions.

**Figure 1. Branch Transaction Volume Concentration Rate\***



\*All graphs use calendar years.

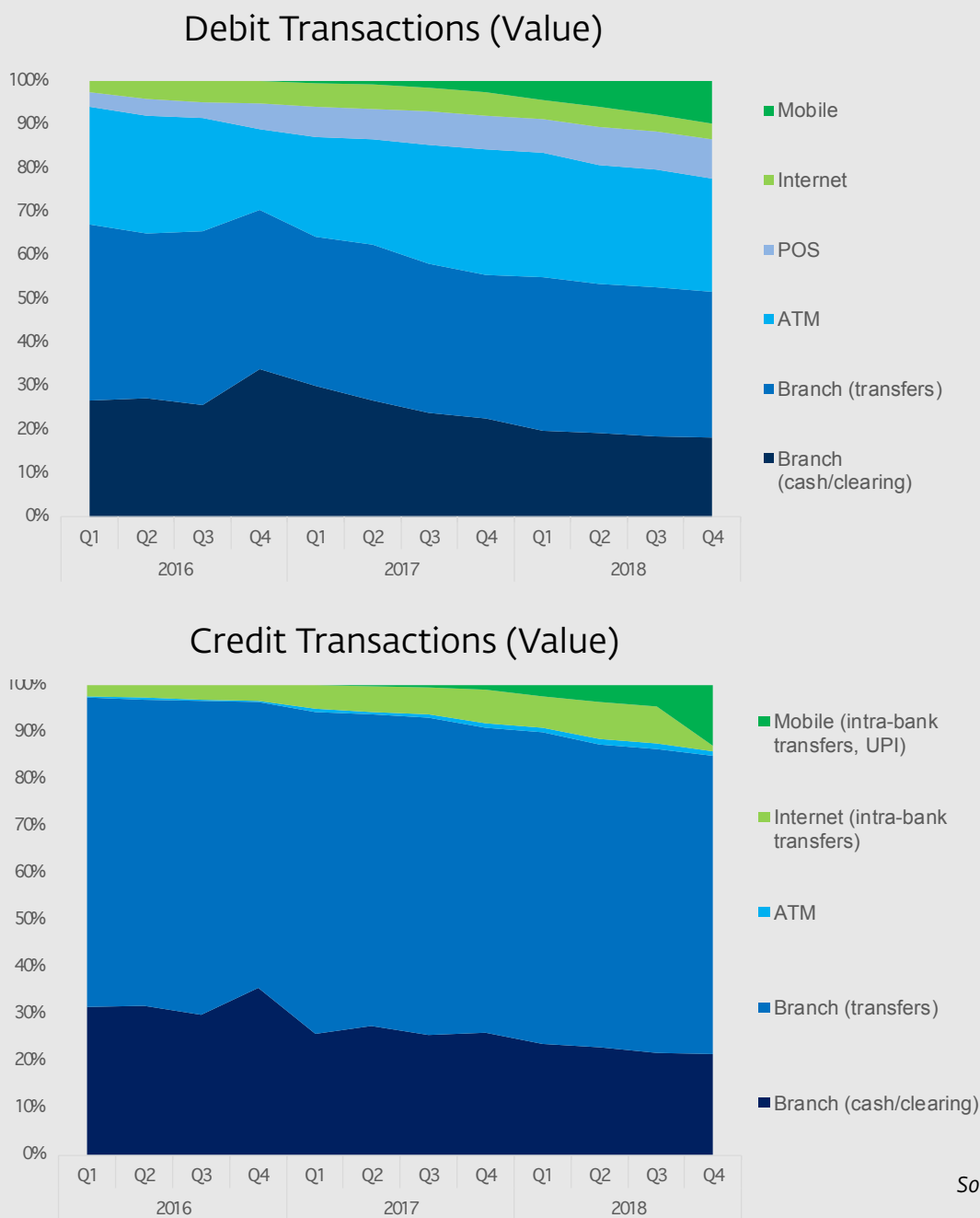
Source: IFC



Mobile and Internet banking have altered the transaction profile of the bank's customer.

As of January 2019, mobile and internet transactions were 24% of SIB's overall debit and credit transactions. Figure 2 shows the evolution of the transaction profile of a random sample of 7,000 SIB customers. According to interviews conducted for the project, customers still prefer to execute large value fund transfers from the branch. But for smaller denomination transactions, customers are comfortable moving to mobile and internet banking channels.

**Figure 2: Transactions Profile Across Channels**



Source: IFC

*Mobile banking usage has grown due to small-value transfers. High-value transfers are done through internet banking.*

“We used to have banking staff whose daily job was to collect cheques and cash, and deposit them and make transfers at the nearby branch. We do not have this need anymore. Regular banking can be done by any of us visiting the branch once every 2-3 days. Most transfers are done via internet.”

-A Wholesale Businessman from Chennai

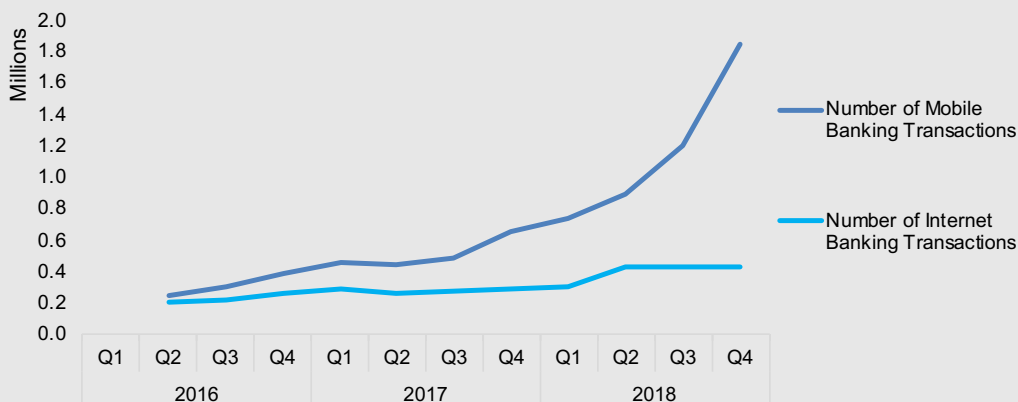
The number of mobile banking transactions has been significantly higher than internet banking transactions (Figure 3). The overall trend of fund transfers, however, masks the fact that inter-bank internet banking transfers have grown by 86% in terms of volume and 208% in terms of value. Mobile banking transactions, on the other hand, are reflected in the growth of intra-bank transfers, which are dominated by small value, retail person to person (P2P) transactions.

The data indicates that internet banking is establishing itself as the preferred channel for high value inter-bank business (business to business, or B2B) transactions, while mobile banking is driving higher-frequency, small value retail transactions. Customer interviews confirm these use cases. Medium-to large-value entrepreneurs seem to find mobile banking inconvenient for business to business transactions because of the link to a specific mobile device. Businesses often process these payments through staff accountants who do not have access to the owner’s mobile phone on which the application is installed.

*Entrepreneurs are increasingly using internet banking for payment transactions with suppliers.*

Many SME owners have expressed their preference for internet banking for the National Electronic Funds Transfer and Real Time Gross Settlement<sup>13</sup> payments made to their suppliers. Those in the business to business segment generally have a higher propensity to pay and receive payments through internet banking as compared to the business to customer (B2C) segment, which is still cash heavy, as surmised from customer interviews. Research conducted at the onset of the project identified ‘Sending staff to a bank branch for fund transfers’ as a key pain point for SMEs. Based on transaction data, it is possible to estimate that the shift to internet banking for SME owners has led them to save INR 15 per transaction, or approximately 18% of the minimum daily wage rate of an employee.<sup>14</sup>

**Figure 3. Comparison of Mobile Banking and Internet Banking Transactions (Volume)**



Source: IFC



*Mobile banking is preferred by customers for low value fund transfers and non-financial transactions.*

Mobile banking is proving to be an important value addition for customers and an effective tool for driving customer engagement. The platform has emerged as an increasingly popular channel for small denomination payments and transactions, with 9% of all transfers at the bank as of January 2019 conducted via mobile banking.

The checking of account balances is also an emerging important service option. This non-financial transaction, which takes less than a minute, used to take more than 30 minutes at the branch. Customers interviewed indicated *they check their account balance at least once a day.*

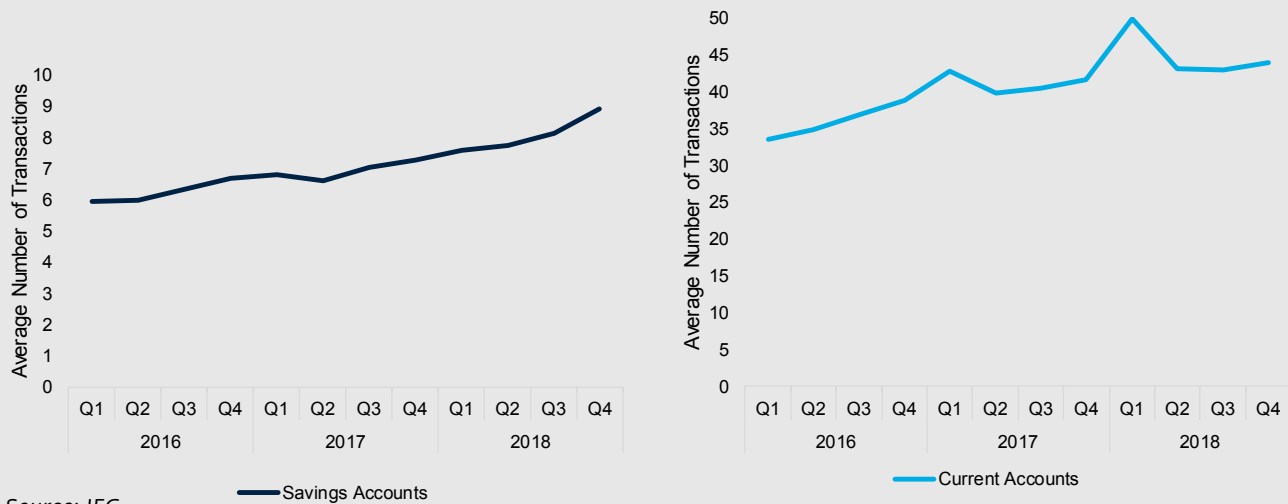
*Customers exhibit a reluctance to conducting mobile banking transactions in excess of INR 50,000 (US\$ 721).*

Despite higher ceiling limits allowed by SIB, the average size of mobile banking transactions has remained constant at INR23,131 (US\$ 333). Average ticket sizes for internet banking have increased from INR 72,240 (US\$ 1,041) in May 2016 to INR 107,630 (US\$ 1,551) in January 2019, but nevertheless have remained below the mental threshold of INR200,000 (US\$ 2,882), according to customer interviews. Customers seem to be concerned about possible impact of wrong input and consequent hassles to get the money recovered.

**“I check my account balance with SIB mobile banking to be sure of the deposits from my distributors. Once confirmed, I come to the branch to withdraw.”**

-SME businessman  
(and 10+ year SIB account holder) with a shop near the Chennai branch.

**Figure 4. Number of Transactions per Active Account**



Source: IFC

*The number of current and savings accounts has steadily increased, as has the volume of transactions per account (Figure 4).*

Over the last three years, the number of savings bank accounts increased from 54.1 lakhs to 62.3 lakhs, an increase of 15%. The number of active savings accounts increased from 14.0 lakhs to 16.6 lakhs, an increase of 18%. However, the increase in the activity rate is only 1 percentage point (26% in 2016 and 27% in 2019). Similarly, the number of current accounts increased from 1.1 lakhs to 1.5 lakhs, an increase of 36%. The number of active current accounts increased from 0.5 lakhs to 0.7 lakhs, a 35% increase. However, there is no increase in the activity rate (47% in 2016 and 47% in 2019).

The shift of branch transactions to digital channels has given the bank an operational cost saving of INR 33 per transaction.

The digital initiatives have been particularly successful in driving uptake and usage of accounts, as well as in growing average account balances. An analysis of transaction data of all accounts shows a 55% increase in credit and a 80% increase in debit transactions, both for savings and current accounts.

The average balance in active savings account and current account increased 28% and 24% respectively, in the project period in savings accounts and current accounts. These numbers are an indication of a greater share of customers utilizing SIB as their primary financial service provider, and a validation of the bank's transformation strategy, as stated at the beginning of the project.

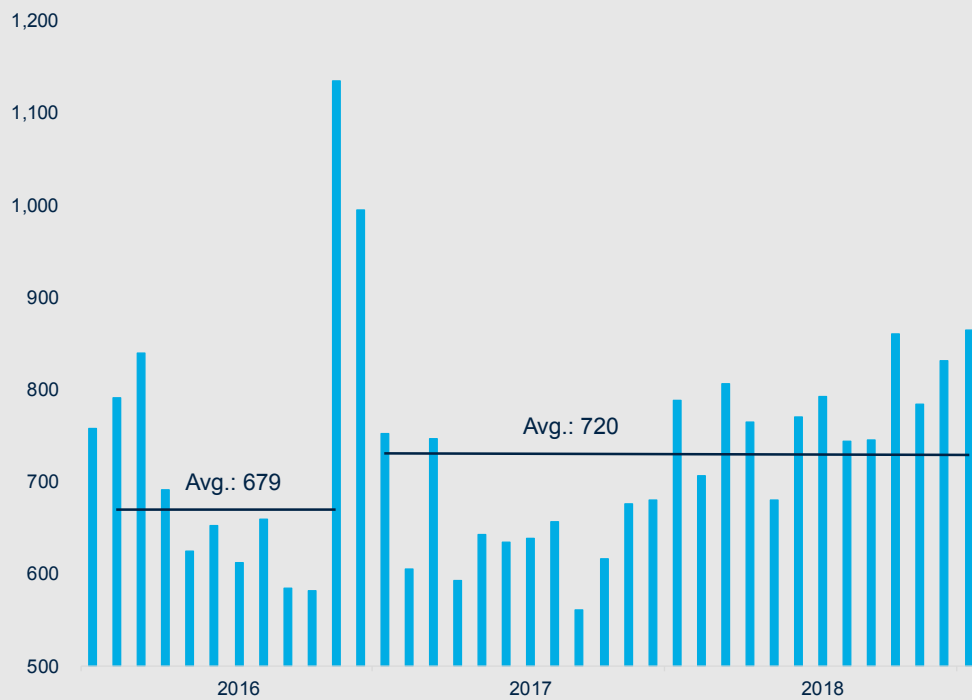
*Branch staff are managing a higher number of transactions.*

Given the overall increase in transactions and the number of active accounts, SIB branch staff now manage more transactions per day in absolute terms as compared to 2016 (Figure 5). The number of active customers per branch staff has grown from 221 to 241 during this period, with the number of branch staff remaining constant. The November 2016 peak in average transactions in the graph is due to demonetization (Box 2).

IFC estimates that the shift of branch transactions to digital channels has given the bank an operational cost saving on fund transfers of INR 33 per transaction. However, the transaction load of the branch staff is still high, and the bank senses a need to accelerate the digital growth rate, in order to benchmark itself with the best in the industry.



**Figure 5. Number of Branch Transactions per Branch Staff**



Source: IFC

## 2.2 Debit Card Program

To increase usage of debit card and debit card services, SIB invested in internal processes, education, and incentives for both staff and customers.

A key objective of this initiative was to grow the share of transactions processed through ATMs and point of sale devices, in order to improve customer convenience and reduce the need to use branches for small-value transactions. SIB expanded its ATM infrastructure slightly (from 1,278 to 1,331 ATMs), preferring to prioritize its acquisition of merchants. Over a three-year period, SIB more than tripled its merchant acquiring network, going from 3,263 in January 2016, to 11,102 by January 2019. This increase in distribution footprint was supported by:

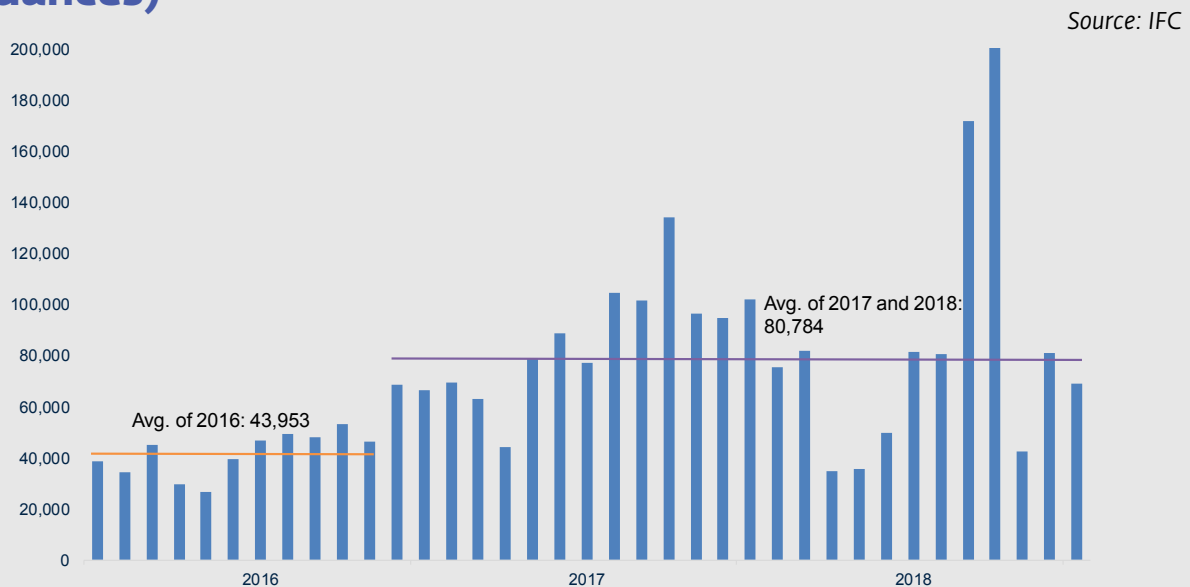
- Streamlining the process to issue debit cards automatically upon opening an account.
- Sending regular customer communication for usage of debit cards.
- Rewarding staff for issuing debit cards to their existing customers.
- Redesigning "Rewardz", SIB's flagship customer loyalty program; SIB optimized points allocated for debit card usage, revised the points redemption procedure, and revamped the redemption catalogue to attract more Rewardz customers.

Since inception of the project, SIB has issued more than 1.5 million debit cards (Figure 6).

Debit card issuance of the bank increased by 18% without considering re-issuances from 2016 to 2018. The number and value of ATM transactions processed by the bank has grown by 18% and 26%, respectively. ATM withdrawals have been strongly affected by India's demonetization at the end of 2016, which was directly responsible for a sharp decline in ATM transactions countrywide and led to significant adjustments to financial transactions (Box 3). It should also be noted that the bank still has a substantial scope for growth in comparison to the national productivity rates for debit card transactions at ATMs.

IFC estimates that moving transactions from the branch to ATMs and to point of sale devices, generates operational savings of INR 26 per transaction.

**Figure 6. Number of Debit Cards Issued per month (including re-issuances)**

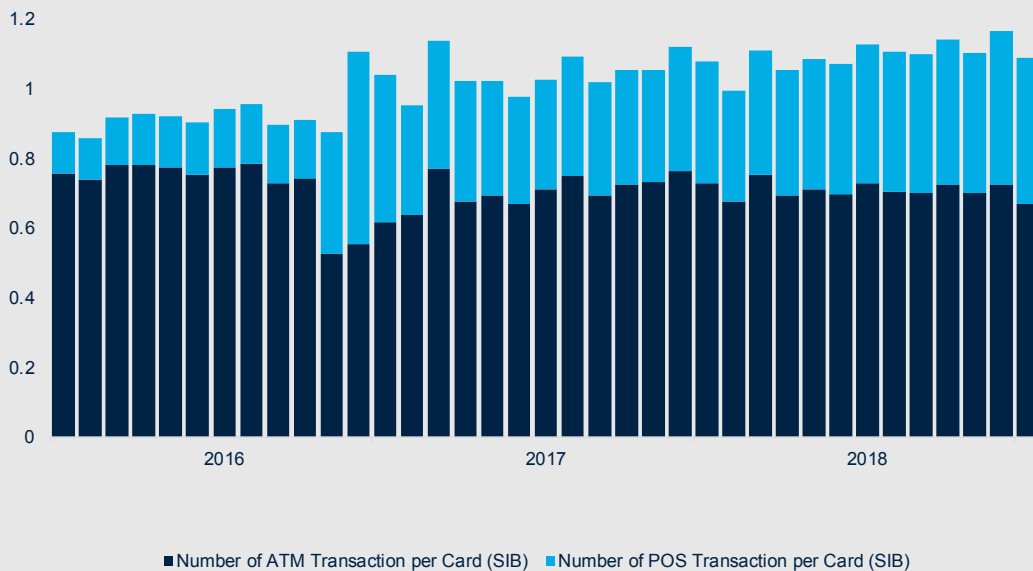


Usage of debit cards for merchant payments has increased substantially (23%).

Although ATM withdrawals have dropped since the demonetization period, overall debit card usage at SIB has increased from 0.90 transactions per month (January 2016 to May 2016) to 1.09 transactions per month (January 2018 to January 2019). This growth is driven by the increasing popularity of card-based merchant payments, SIB's staff and customer campaign initiatives and by the impact of demonetization (Figure 9). Point of sale payments constitute 35% of all debit card transactions (January 2018 to January 2019), up from 15% in the pre-project period (January to May 2016).

IFC estimates that moving transactions from the branch to ATMs, and from branch to point of sale devices, generates operational savings of INR 26 per transaction.<sup>20</sup> In addition, the increase in point of sale transactions generates an additional revenue of at least 0.25% per transaction for the bank.

**Figure 7. Changing Profile of Debit Card Usage at SIB**



Source: IFC

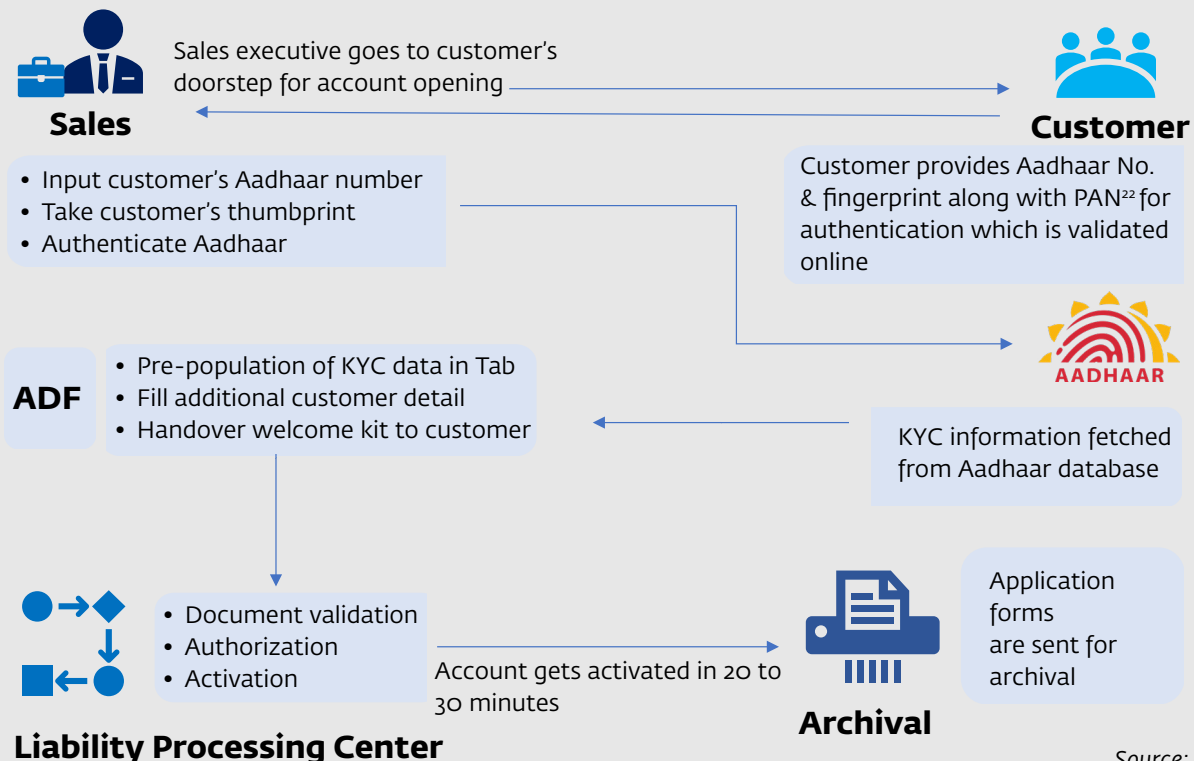
## 2.3 Digital Onboarding and Customer Acquisition

SIB had been acquiring current and savings accounts clients through a branch-based account opening process that involves lengthy physical application forms, manual identification requirements, and complex verification processes. By the middle of 2016, India's large-scale banks had started to leverage the "India Stack" infrastructure to acquire accounts and deliver products and services remotely to their clients. In this context, the SIB and IFC teams saw potential in these new tools to acquire these clients in a cost-effective manner and consequently reduce the operational load of branch staff while increasing customer convenience.

*SIB created processes and systems for Aadhaar-based digital account opening (for current and savings accounts) through tablets and smart phones.*

The Aadhaar infrastructure allows self-initiated and self-authenticated account opening processes with minimal to no intervention of bank staff. SIB management, however, was not sure the potential customer base of the bank would embrace this service shift, as they were otherwise accustomed to staff assistance and manual processes. The bank decided to first enable an assisted tablet-based digital current and savings accounts onboarding process. BIS staff, equipped with Tablets, visited client locations and opened accounts instantly using e-KYC and Aadhaar authentication. Figure 8 below summarize the steps to open a digital account.

**Figure 8. Tab Based Digital Onboarding (Aadhaar enabled)**



Source: IFC



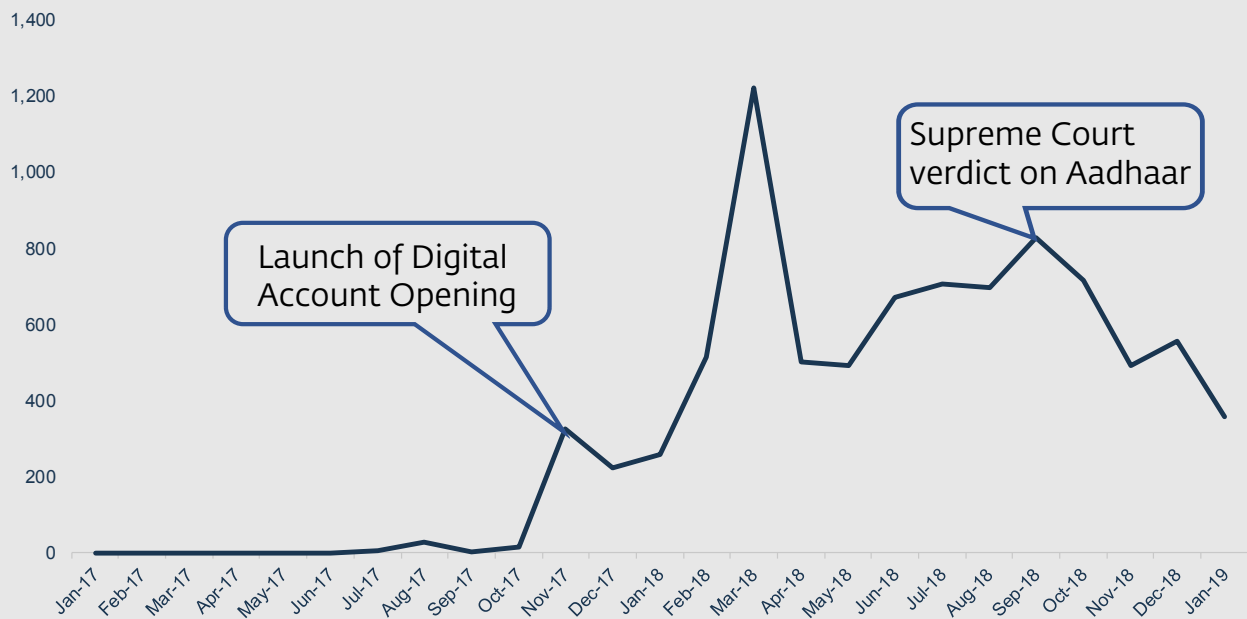


With the assisted digital onboarding plan underway, SIB launched self-initiated account openings, where new clients could open accounts using SIB's mobile banking application; these accounts would instantly be generated in the Core Banking System (CBS). However, a final verification of the Aadhaar biometric would have to be done in the presence of bank staff.

The salient features of the processes are:

- Tablets are linked to Business Process Management (BPM) system along with Core Banking System, enabling instant opening of the accounts. Accounts are activated within 20 -30 minutes.
- The bank has become an Authorized User Agency (AUA) and KYC User Agency (KUA) of Aadhaar for accessing the identity and KYC details from the Unique Identification Authority of India (UIDAI).
- To implement the digital onboarding suite, SIB has acquired mobility solutions and tablets.

**Figure 9. Number of Savings Accounts Opened Through Digital Onboarding (per month)**



**Box 4**

In 2017, the government mandated that all bank accounts had to be linked to the customer’s Aadhaar number by March 2018. Hence, Aadhaar-associated bank account openings were encouraged across the country. Due to security and privacy concerns over a centralized, accessible database with details of all customers, in September 2018, the Supreme Court made Aadhaar-based authentication optional.

*Digital onboarding was piloted in two locations.*

In total 8,623 accounts were opened through digital onboarding between July 2017 and January 2019 (Figure 9). The complete roll out of the digital onboarding process, however, was tabled while the Aadhaar ecosystem went through structural and policy changes (Box 4). The Aadhaar ecosystem was recently relaunched for banks with certain process checks. The bank will now formulate the digital onboarding strategy in the new policy environment.

*Digital onboarding reduced the cost of opening an account by INR 77 (approximately USD1.1)<sup>21</sup> per account for the bank.*

With the manual account opening process, a customer needs to spend an estimated hour at the branch to open an account. This includes travel, waiting, and filling out the application. The customer also averages two trips to the branch to ensure that the account has been activated, and at least one more trip to collect the debit card and PIN. This process involves approximately 180 minutes of customer time. The digital onboarding process significantly reduces customer time to potentially less than 30 minutes (Annex I), which translates to a customer cost saving of a minimum INR 48 (approximately USD 0.7) per account opened.<sup>23</sup>



In addition to the cost and time savings, collateral benefits from digital onboarding include:

- Staff visits to the customer's residence or employment spur better relationships and rapport between the SIB personnel and customer. Digitally on-boarded clients note a comfort with the bank staff from the frequent interactions for their banking needs and queries. SIB staff received high praise from customers for the quality of service.
- Digital onboarding facilitates the onboarding of clients who would not consider going to the branch to open a new account in the near future. For example, many digitally onboarded customers decided to open accounts for their family members along with their own, given the ease of process and due to presence of SIB staff at their premises.

"I did not want to open the account. The Relationship Manager from SIB came to my home and asked me to open the account. Since it did not require me to come to the branch or have a lot of documents, I agreed. He keyed in basic details in his tab, I authenticated my fingerprint, and the account was activated immediately. I also got my debit card immediately."

-Kochi Businessman, age 47

### 3. GOING FORWARD

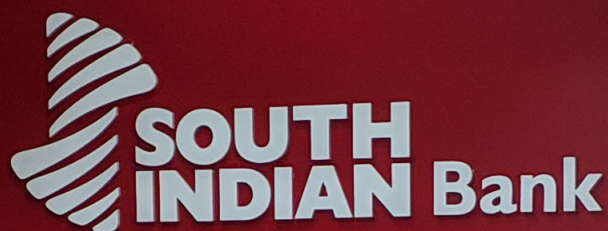
South Indian Bank's historical model has been that of a high touch customer relationship management. Acquiring customers remotely and moving transactions away from the branches were fundamental shifts in bank strategy.

Digital transactions have achieved commendable growth. The next milestone for the bank is to create an aligned customer positioning.

SIB management realized the need for a strategic shift towards digital banking in the wake of developing ecosystems of Aadhaar, India Stack, Payments Banks, and the emergent fintech business models. The strategy for SIB thus shifted to attract new customers to the digital banking eco-system offering convenience, while improving its value proposition for existing customers, to drive more frequent activity.

Over the past 4-5 years, SIB has been able to transform its technology platform to support centralization of operations, digitization of processes, and offer all services on digital platforms. Digital transactions, especially mobile and internet banking, have achieved commendable growth in the project period. The bank is well poised to not only onboard customers using mobility devices, but it is also ready to handle remote customer onboarding. In a constant drive to innovate, SIB continues to implement different technologies with a view to simplify processes, identify new revenue streams, and offer more value added services to its customers.

The next milestone for the bank is to create a digital customer proposition for existing and new customers. The bank is addressing the mindset of the customers, especially those who still prefer to bank in the brick and mortar model. It is also identifying digital champions internally who are experts on the bank's digital offerings and who in turn are promoting the usage of digital banking services. The management is aware of the importance of aligning the culture of the bank to the changing needs of the customer.

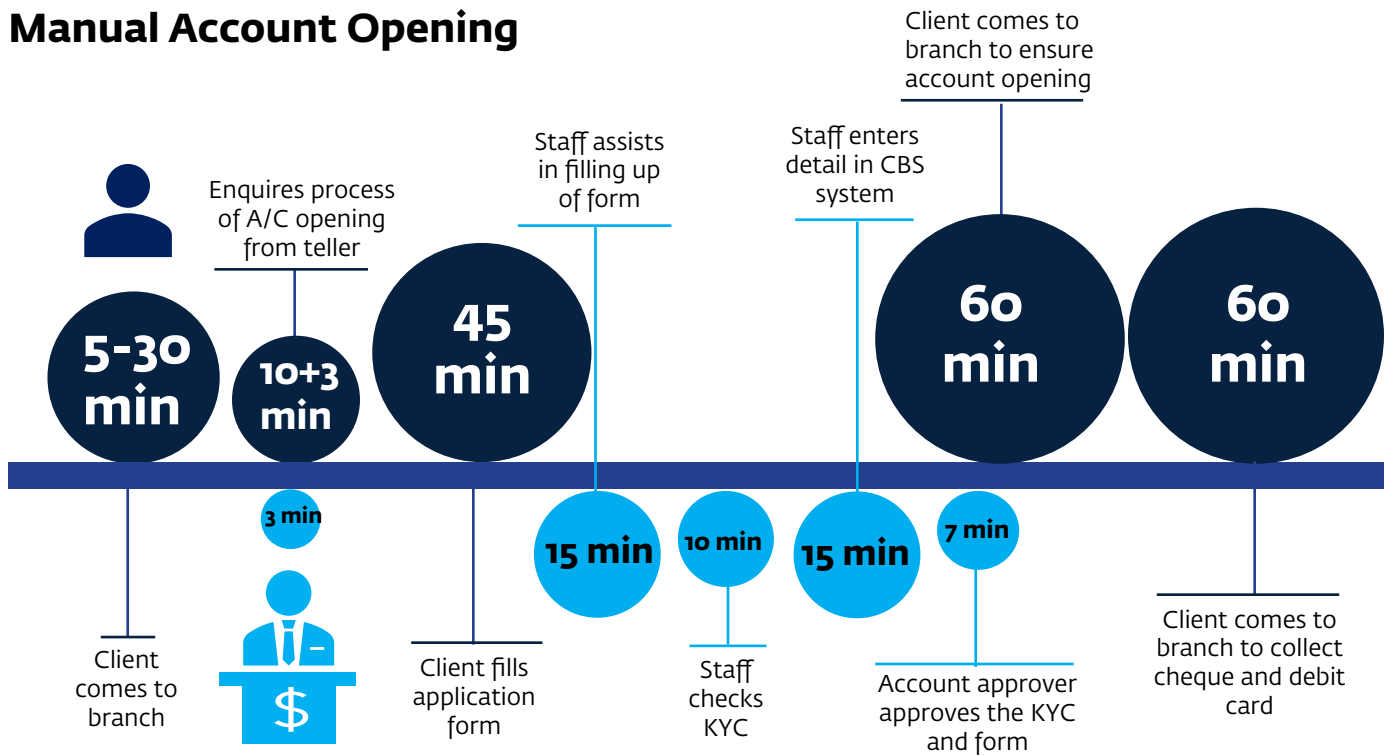


Regional Office

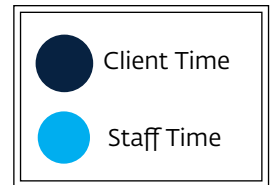
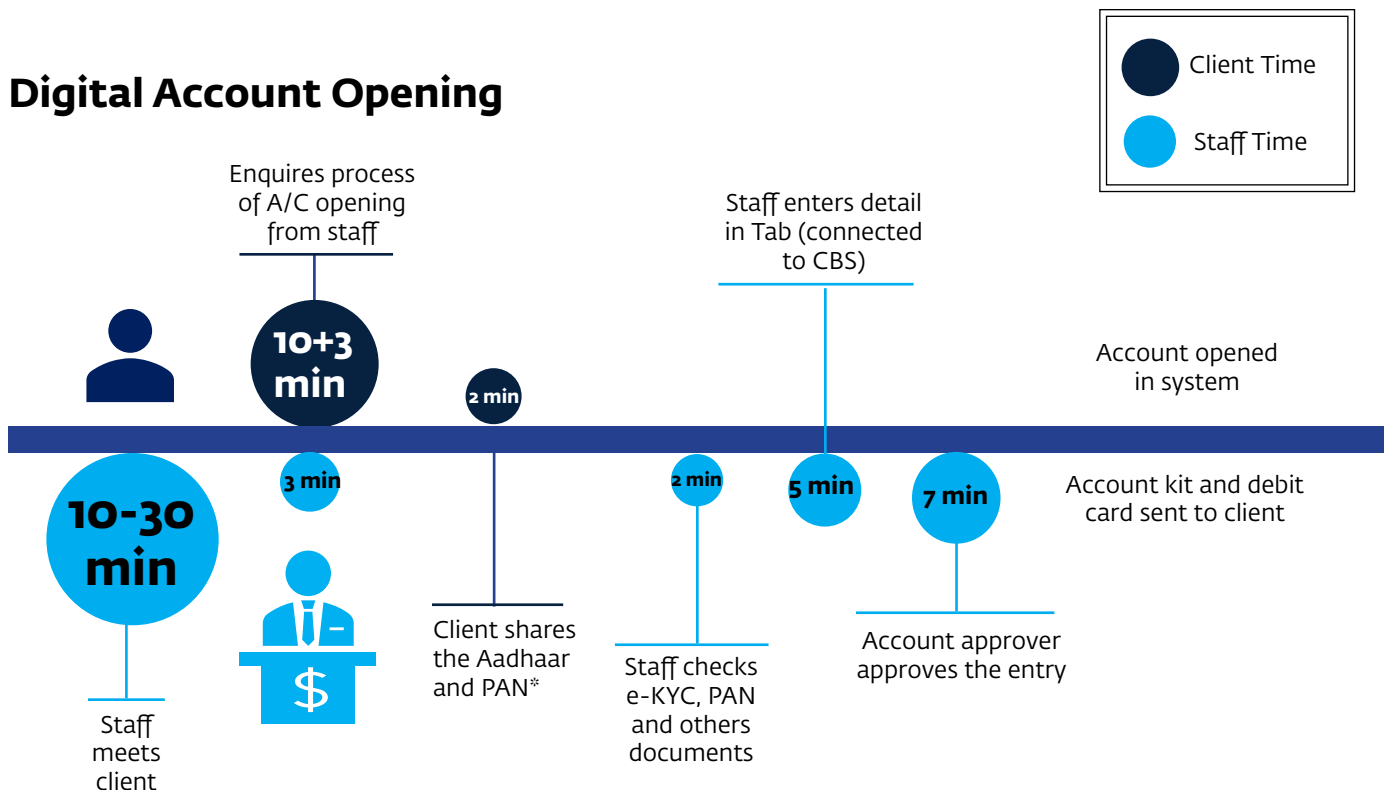


# Annex I: Customer Journey in Digital Account Opening vis-à-vis manual process

## Manual Account Opening



## Digital Account Opening



Source: IFC

# Endnotes

1. For details on PMJDY, visit <https://pmjdy.gov.in/>
2. For details on NPCI, visit <https://www.npci.org.in/>
3. National Institution for Transforming India (Niti Ayog) Estimate, 2018
4. For details on India Stack, visit <https://indiastack.org/about/>
5. For details on UIDAI/Aadhaar, visit <https://uidai.gov.in/>
6. For details on UPI, visit <https://www.npci.org.in/product-overview/upi-product-overview>
7. For details on Bharat QR, visit <https://www.npci.org.in/product-overview/bharatqr-product-overview>
8. For details on BHIM, visit <https://www.npci.org.in/product-overview/bhim-product-overview>
9. A unique virtual address linked to the Bank account, which can be used to send and receive money instantly
10. Active refers to having conducted at least 1 transaction.
11. Customers were randomly selected, with the one criterion of having made at least one transaction between December 2017 and February 2018.
12. Immediate Payment Service (IMPS): An initiative by the government-promoted National Payments Corporation of India (NPCI) that provides real time, ubiquitous, interbank fund transfer facilities across multiple channels like Mobile, Internet, ATM, SMS, Branch and USSD (\*99#).
13. Number of transactions conducted at the branch as a percentage of overall transactions at the bank. These refer only to debit and credit transactions in current and savings accounts.
14. National Electronic Funds Transfer (NEFT) and RTGS (Real time Gross Settlement) are electronic funds transfer systems maintained by the Reserve Bank of India (RBI)
15. Calculated as per the Mahatma Gandhi National Rural Employment Guarantee Yojana (MNREGA) suggested wage rate for Kerala and Tamilnadu, the two states where most of SIB customers are from.
16. Weekly withdrawal limit was of INR24,000 per account (USD346), and daily withdrawal limit from ATM was INR2,500 (USD36)
17. Unified Payment Interface (UPI): UPI is an immediate, 24\*7, inter-bank mobile based money transfer mechanism, launched by National Payments Corporation of India (NPCI) in 2016-17. Through UPI, customers of banks can transfer money through a virtual address, using their mobile banking applications. The platform is secured through 2-factor authentication (<https://www.npci.org.in/product-overview/upi-product-overview>).
18. Source: EuroMonitor (the figure is for the overall financial year)
19. Annual report, Reserve Bank of India; 2017-18
20. Calculation done based on benchmark cost of ATM and branch-based transaction, as per "The Art of Living for ATMs in India"; Ashish Das; Indian Institute of Technology, Mumbai; 2014; and "Customers providing benefit to banks through usage of ATM and EDC machines"; Ashish Das, Indian Institute of Technology, Mumbai; 2009 [<http://dspace.library.iitb.ac.in/jspui/handle/100/14421>]
21. Calculated on the daily wage rate as per NREGA for Tamil Nadu and Kerala.
22. Permanent Account Number (PAN) is a ten-digit alphanumeric number, issued in the form of a laminated card, by the Income Tax Department.
23. Calculated based on minimum wage rate as suggested by Mahatma Gandhi Rural Employment Guaranty Scheme (MNREGA) for Tamilnadu and Kerala, where maximum clients of SIB come from.



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