Digital Innovation in India: the Road Ahead
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India is rapidly becoming a digitally-empowered society and economy, opening up new growth and efficiency opportunities for corporates along the way. Successfully embracing digital innovation is both a science and an art, however, as four industry experts explained during a lively panel debate at HSBC’s recent Global Liquidity and Cash Management Digital Innovation and Transformation Forum in Mumbai.

Panellists:

**Srinivas Jain,**
Executive Director and Chief Marketing Officer, SBI Mutual Fund

**Nikhil Sohoni,**
Senior Vice President – Finance and Treasurer, Mahindra & Mahindra

**Rahul Tayal,**
Director Strategic Business and Marketing, Digital and Ecommerce, LG Electronics India Pvt. Ltd

**Divyesh Dalal,**
India Head, Global Liquidity and Cash Management, HSBC

**Hosted by Lance Kawaguchi,**
Managing Director, Global Head – Corporates, Global Liquidity and Cash Management, HSBC

Enabling business transformation through digital innovation

**Eleanor Hill, TMI:** How is India’s digitisation journey progressing – and how can corporates take advantage of digital innovation to transform their business models, drive growth, and re-engineer legacy processes?

**Divyesh Dalal, HSBC:** Digitisation is advancing at a rapid pace across India, even in remote locations. Government and regulatory initiatives are among the key drivers, but consumer trends and technology evolution are adding to the momentum.

In terms of milestones, the reach of the country’s digital ecosystem has improved markedly since the government launched the Digital India initiative in 2015. Alongside this, the National Payments Corporation of India (NPCI) has been working hard to build out new digital infrastructures, including the Unified Payments Interface (UPI) in 2016.

On the back of these co-ordinated efforts, the retail landscape has evolved, since more consumers are now able to make digital purchases with ease. Their confidence in technology is also growing, and cash transactions are steadily being replaced by electronic ones – for everything from utilities to insurance and investments. In turn, corporates are quickly adapting their business models to better leverage digital innovation and revamping customer experiences to meet this new demand.

**Rahul Tayal, LG:** Absolutely. Updating and even reinventing our business model to leverage the power of digitisation is a top priority at LG. As a consumer electronics giant, our aim is to know our customers as well as we possibly can – in order to drive sales through one-to-one targeted promotions. The best way for us to do that right now is to further embrace digital innovation.

“Unlike traditional marketing, digital marketing provides a platform to focus on a specific target audience. Moreover, campaigns are designed on the basis of consumer habits and preferences. Already, over 400 million consumers in India are connected to the internet. The country is also home to 300 million smartphone users, each spending an average of four hours a day using apps. There is therefore a tremendous potential to target a particular audience; digital media is evolving and new trends are emerging.”

The other important aspect of digital marketing is that brands can now go beyond the 20 or 30-second television commercial and create more effective, and more amplified, digital communications. For example, today we are capable of launching a product in one city and then connecting our trade partners, employees and consumers to it – across India and the world – through social media platforms at the same time. This helps in creating awareness and recall for a new launch. It also creates engagement with the audience, which in turn translates into leads.
Srinivas Jain, SBI Mutual Fund: We are also looking into the possibilities that data holds, as well as digital innovation as a means to improve legacy processes. The back end of our business has been digital for some time, but the front end has traditionally been paper-based and many of our treasury customers still send us instructions by fax. While we have an automated fax management system that has led to process efficiencies, we wanted a better way to serve our 6,000 odd institutional clients.

So, in 2016, we set up a digital platform for our institutional investors. More recently, we have also embraced virtual accounts, to help ensure the appropriate allocation of client funds, in a more automated way. Uptake of such solutions among clients is currently around 20% but is increasing as clients start to see the efficiency benefits and appreciate the user experience.

For SBI Mutual Fund itself, the value of these digital solutions stretches beyond automation to real-time investor insights. The data from the platform enables our institutional sales team to proactively reach out to customers with suggestions for switching between funds to achieve a better rate, for example. We’re also experimenting with leveraging the platform data to create reports on behalf of our clients: not just performance reports; but opportunity reports too, flagging interesting investment options for the treasurer.

Finally, we are using digital innovation to improve our analytics and modelling, specifically around liquidity. One of the widely recognised challenges in the mutual fund industry is that liquidity tends to tighten at certain points in the cycle – such as quarter end. Armed with the data from the platform, we can now build up a much clearer picture of liquidity in real-time, and then optimise the portfolio as required.

Nikhil Sohoni, Mahindra & Mahindra: Picking up on some of the points Srinivas raised, it’s very true that many treasurers still like to send faxes in connection with their investments, including instructions to move monies between investment funds. At Mahindra & Mahindra, we saw this as a hugely inefficient process, so decided to swap to a digital solution: the SWIFT India platform.

We are the first (and currently still the only) company in India to sign up to this payment platform and we are already seeing significant efficiency benefits. Today, before coming to this event, I invested large sums in just four clicks. That’s the beauty of digitisation. No faxes, no reconciliations and no waiting for confirmations. It is seamless.

Besides SWIFT India, we’re exploring a number of other digital avenues, looking for new solutions to reduce the resource burden and increase efficiency within the treasury function. We’ve also attempted a foreign remittance using blockchain, which was a good learning experience. UPI doesn’t really fall into our remit in this part of the business, because the value of the payments we send or receive are simply too high. That said, we absolutely recognise the potential of UPI within the right marketplace. We have explored it in a few of our group companies and are already seeing the benefits.

Elsewhere, we are considering advanced digitisation tools and are exploring leveraging artificial intelligence (AI) to enhance our foreign exchange (FX) hedging practice. On many occasions, we tend to react to movements in currencies. The idea of leveraging AI is to be more proactive than reactive, aim to predict currency moves with greater accuracy.

For treasury, this kind of digital innovation offers significant efficiency gains as well as strategic wins. Nevertheless, it’s important to realise that digitisation is an evolving trend, and what’s possible now is actually just the tip of the iceberg.
A pathway to greater strategic focus

Eleanor Hill, TMI: To what extent does embracing digital innovation allow businesses – as well as finance and treasury functions – to be more strategic? Could you give some practical examples?

Rahul Tayal, LG: Embracing digital innovation undoubtedly opens up opportunities for more strategic thinking – whether that be at the boardroom level, within sales and marketing, or in treasury and finance. As I explained, at LG, digitisation is allowing us to get to know our customers that much better, meaning that we can be far more strategic in the way we sell to them.

Increasingly, we are launching integrated campaigns with a focus on digital platforms. As an example, certain ranges in our product offering, such as air purifiers and water purifiers are directed towards health-conscious people; and through digital platforms we are targeting campaigns for these products through health influencers – namely celebrities. This has helped in reaching a specific target group, thereby generating greater return on investment (ROI) for our marketing and sales teams.

In short, digital innovation is helping us to be more strategic about the customers we target and the offers we send them. Blanket marketing is a thing of the past; strategic partnerships fuelled by shared data are the future.

Nikhil Sohoni, Mahindra & Mahindra: We have been innovating around payments and collections platforms. Although I mentioned that UPI was not the right tool for Mahindra & Mahindra Limited, we now use it extensively in one of our consumer-facing businesses, Mahindra Rural Housing. The company provides loans to farmers who are located in the interiors, or even further beyond, in the very deep interiors.

They have low annual incomes and loan repayment instalments may be as little as INR 2,000-3,000 a month. The point here is that nearly all of these payments used to be made in cash. When demonetisation happened, we encouraged customers to move to automated clearing house (ACH) payments by offering 2% cash back. The incentive is starting to kick in and 10-15% of our rural customers are now already on the ACH platform. This involved lot of groundwork for the company and the bank. It was a task to get people to move from cash to digitised payment.

Interestingly, if the ACH looks like it will fail because of insufficient funds in their account, we have also set up a solution that pings an alert, stating the amount they are short, to their mobile phone. If they want, they can then transfer this amount to their account via UPI, thereby avoiding any failed payment charges relating to the ACH or a delayed payment charge for an instalment default.

Of course, for treasury, the benefits of speeding up collections have been enormous. We can now be much more accurate with our cash forecasting and more strategic with investing any excess cash. As a company, we are no longer required to send our agents into the interiors to collect small amounts of cash and this has also led to significant cost savings, which is an additional positive.

Divyesh Dalal, HSBC: From our interactions with corporates, it’s clear that technology is one of the biggest strategic enablers for businesses in India today – and that ‘instant’ business is a trend companies can no longer ignore. Not only can businesses leverage these market shifts to speed up collections, as some of the panellists have already discussed, but they can also turn them into strategic marketing and sales tools, as well as competitive bargaining chips. If, for instance, one microfinance institution (MFI) can only disperse a small ticket loan of say, INR 1,000, by tomorrow morning, but a competitor can release a similar loan today, it’s clear which MFI will have the strategic edge.

As well as understanding the opportunities, corporates looking to extract the maximum strategic potential from their digital investments must also consider the digital and physical worlds together. This is particularly true in tier 3 and tier 4 towns where digital infrastructures are still developing. The secret to success will be tying the online and offline pieces together into a seamless solution.

Srinivas Jain, SBI Mutual Fund: For me, the best way to free up resources and enable the business to become more strategic is to build a friction-free environment for customers, especially on the retail side. A good example of this is electronic Know Your Customer (eKYC) solutions. By committing to using eKYC in our consumer business, we have onboarded more customers than any other large asset manager in India.

As well as having an online eKYC platform available, we also have around 10,500 enabled devices across India that customers can use to become KYC-compliant. Interestingly, customers that have used the eKYC channels for onboarding are three times stickier than those who have used the traditional KYC channels. So, through digital innovation, we have massively improved the customer experience and garnered significant business benefits, whilst cutting down manual workloads.

In addition, we have built a business-to-consumer (B2C) architecture, called Invest Stack, that rivals our offering in the business-to-business (B2B) space, and makes use of API technology. Fintechs can simply pick up these APIs and integrate them into their platforms – and then start selling mutual funds. It really is that easy. We have at least three fintechs already doing this, and this is a totally new arm of our business strategy – but one that is proving to be highly effective.
Digital disruption: threats and opportunities

Eleanor Hill, TMI: What emerging digital innovations should companies watch out for in the months to years ahead? And how can they embrace the agility of new technologies, partners, and ways of working, whilst retaining the security of solutions they know and trust?

Divyesh Dalal, HSBC: There are a number of misnomers around ‘digital disruption’ which often lead to the concept being perceived as negative. But digitisation doesn’t mean that everything must be done through digital channels – and that tried and tested means of working have to be abandoned. As I alluded to before, there are benefits of combining the physical and digital worlds and essentially augmenting existing processes with digital elements. And in my view, this is the best form of digital disruption.

Take the lending sector, for instance. A number of deals are still done offline – but thanks to digital solutions, such as online credit checks and the eKYC solutions that Srinivas mentioned before, lenders can go through a largely offline process and yet still onboard a customer, identify their creditworthiness, and sanction a loan in around five minutes. Approved loans can also be disbursed more or less immediately using an instant payments service via API.

So, don’t be fooled into thinking that embracing digital innovation or disruption has to mean a complete overhaul – it could simply be an upgrade of systems and processes, enabling companies and consumers to have the best of both worlds.

Srinivas Jain, SBI Mutual Fund: Personally, I believe that a large proportion of future digital disruption will be led by fintechs. The India Stack platform that I spoke about before came about as a direct result of fintechs entering the asset management industry and shaking up the way we do business – which was arguably ripe for change.

They are bringing a totally new dimension to investing, with solutions such as robo advice. And traditional asset managers have to adapt to survive. India Stack is our way of doing that. It has allowed us to work with the fintechs within an environment that is under our control.

We are also leveraging fintechs to provide us with deep-dive customer analytics, and for last mile distribution. So, we have combined the best parts of our existing offering with solutions from new entrants to improve the overall package for clients. Rather than referring to this as disruption, I prefer to call it ‘progress’.

Nikhil Sohoni, Mahindra & Mahindra: When it comes to disruption, I believe that we will see more corporates joining collaborative projects and effectively leading the way around technological change. One area where treasurers would no doubt be keen to work together with banks and fintechs to solve an industry issue is KYC.

With each bank requiring different documentation, as well as multiple physical copies of those documents, KYC is currently a huge headache for everyone. But blockchain could potentially revolutionise the KYC process, meaning that corporates would only need to upload one set of documentation, and then simply grant permission to each of its banks to access it.

With such a solution, KYC processes could be completed in minutes, not days, weeks, or even months. However, treasurers need to take that leadership role and push banks to look towards disruptive technologies like blockchain in order to build a better future for the industry.

Rahul Tayal, LG: In terms of new technologies, we are closely observing new trends such as chatbots, which will be the next big thing over the coming years. In fact, by 2020 it is expected that 85% of customer service interactions will be handled by bots. The trend has started to dominate the industry already as research suggests that 27% of people are unable to figure out whether they spoke to a person or a chatbot in their last customer service interaction.

And on the topic of digital disruption, I’ll wrap up by saying that meaningful collaboration and a large dose of courage will be required for organisations to fully benefit from digital disruption and innovation. If businesses fail to embrace a collaborative mind-set or treat it as a box-ticking exercise, they will fall foul of disruption.

Certainly, adopting new technologies is risky; but it is far better to make mistakes along your digitisation journey, or in your digital collaborations, than to let fear prevent you from getting started. As the rise of the Chinese economy, and e-commerce giants like Alibaba, have shown us, digital innovation is the new world order – and the biggest mistake companies can make is failing to fully recognise this.