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Growth of Conversational Apps in Banking in India



Let us ask you a simple question. When was the last time you visited a bank to either get your KYC (Know Your Client) done or open a new account or get a new credit/debit card issued? We bet you are thinking hard. For Gen Z, this may be something that they may really find hard to imagine, since they were born in the era of smartphones where they had everything on their fingertips. That being said, why not give Gen Z an idea of what it used to be like in the past. Let us stroll down the memory lane and recreate one of our memories of those days with a fictional character, Jeh, who had to visit a bank for small requirements too.

The year was 2009, when there were hardly any touchscreen smartphones. Nokia was ruling the roost, and people were excited about its new multimedia Express-Music series. Jeh had shifted to a new city, Kota (A place in India), with one dream: Crack one of the most premier institutes of engineering in India and be part of its legacy. He wanted to open a bank account and hence, visited a top bank's branch nearby. He had with him his basic documents, which he thought would suffice for opening an account. However, after waiting for his turn for an hour or two, the concerned person informed Jeh that he needed a couple of more documents before he could open an account. Jeh had to go back and return in a few days with the documents. When he went for the second time, the concerned person had changed and after looking at his documents, the new bank staff told Jeh that he needed another document. Jeh was finally able to get a new account opened in the bank with the correct documents after visiting the bank three-four times and wasting almost two-three hours per visit.

Similarly, for a new debit card, Jeh had to visit the bank a couple of times before they finally approved his request. Now, you would be surprised to know that in those days, the card and the ATM pin were sent through two different couriers on separate days for security reasons. So, there chances of couriers being misplaced, translating to Jeh visiting the bank to raise a new request and going through the hassle again. Even if he received the card, he would have to wait for a few more days, hoping that it does not misplaced before getting his ATM pin. In essence, from the moment Jeh first visited the bank to open his account to the time he could finally use his ATM card to withdraw money, the whole process took about 20-25 days. Surprised? Trust us, this was how long it took to get such a simple task done.



Now, let us fast forward to 2021. With advancements in technology and being in the era of smartphones and the Internet, everyone started innovating to make everything easy for a common person. Now, as many other banks have also opened up providing extra benefits and return rates, Jeh decided that it would work in his favour if he had another account in one of those banks. So, to enquire how and what documents are needed as well as the offerings that the bank had, Jeh decided to visit a bank's branch. Initially, he was nervous, since he did not want to go through the hassle of waiting in long lines and wasting a lot of time. However, to his surprise, he learnt that everything, ranging from KYC to requesting for a debit/credit card, could be done on the bank's mobile app. Jeh was initially hesitant, since he feared that there would be no one to answer his basic questions, which would make it even more difficult for him to open an account.



He somehow gathered courage and opened the app. As soon as it opened, Jeh was greeted by a chatbot, which asked him what he wanted to do or find out. The moment Jeh typed his query, he was directed to a page where detailed information of everything was provided to him, with a step-by-step procedure explaining the documents needed and format in which they were to be submitted, with every minute query being answered smoothly. All this could be done just by sitting at home on his smartphone. The process was seamless and to Jeh's surprise, his KYC was completed in just 10 minutes. The next thing he did was to request for an ATM debit/credit card. Jeh went through the same procedure of asking his query to the bot, and

the process was quick. To his surprise, they also had an option for a user to talk to a customer service representative if there were further doubts that couldn't be answered by bots. Similarly, the process to generate the pin was so easy and fast that to Jeh's surprise, it took him less than 10 days to complete the whole process. Amazing, right?

The transition from 2009 to 2021 has been remarkable. It brings us to our next big question: What kind of technology did banks use to make the life of a common person easier and hassle-free where he doesn't have to worry about standing in a queue for KYC or wait for 10-20 days to get an ATM card? The simple answer is conversational apps. Conversational apps are user interfaces that allow you to converse with a customer or prospect. In many circumstances, a chatbot will allow a consumer or prospect to connect directly with the company. Conversational Apps are intended to lead users to take a certain action by interacting with them. They employ text, speech, graphics, and other features to respond to users' inquiries and assist them with tasks such as making purchases or organizing



appointments, just to name a few. Even banks use them because they provide a convenient and efficient experience for them and their customers.

We bet this would make you more curious as well as excited to know more about how conversational banking has evolved in India and how it is being used.

Conversational Banking in India

Acknowledging that conversational banking may be a prelude to the evolution of the banking system, a couple of leading banks in India have already taken the initial steps toward the utilization of interactive chatbots. Indian banks have been convinced by the prowess of AI-powered chatbots, and are hence investing heavily in them. In the past five-six years, many Indian banks have launched their virtual assistants to manage their customers' banking activities and respond to queries.

HDFC Bank's chatbot Eva, SBI's chatbot SIA, Kotak Mahindra Bank's bilingual virtual assistant, Keya, Axis Bank's AI-powered assistant Axis Aha, Yes Bank's AI enabled YES ROBOT, ICICI Bank iPal are some well-known examples of AI-enabled chatbots in the Indian banking industry. These chatbots are very smart and sophisticated because of advancements in AI and ML.



These bank chatbots can not only handle millions of consumer queries, but also perform tasks like fund transfers, pay bills or issue a new debit/credit card on your behalf. This has drastically reduced the response time and as they can successfully handle several queries at a time, thus giving more time to human agents to handle more complex queries that cannot be handled by a chatbot. These chatbots are 24*7 available to cater to their customers' queries, thus creating a positive impact and increasing customer retention. Chatbots are helping banking customers in many ways. The most common ones that are deployed by a majority of banks in India are:



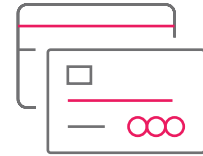
Locate Nearest Branch/ATM

Now, you don't need to worry if you are new to a place and don't know where the nearest bank branch or ATM is, as your bank's virtual assistant guides you



Fund Transfer

Chatbots can help with easily transferring funds to accounts, cancelling transactions, checking account balance, viewing bank statements, paying bills and getting a mobile recharge



Debit/credit card services

You can easily ask your bank chatbot to issue a new debit/credit card or get it upgraded, change card pin, increase your credit card limit, block and unblock card and several other tasks within few minutes



View personalized offers

You can easily check the credit and debit card offers. Even while booking flights and hotels, you can check the prevalent offers and compare



Respond to FAQ's


These bots have trained to respond to any other queries that customers may have in their mind. Say a customer wants to know the procedure to issue a new credit card or current interest rates, the bot can respond within a few seconds



Apply for loans

No need to go to banks to know the procedure to apply for loans. Banks' virtual assistants help with this easily

In Indian banks, most virtual assistants are available only through the bank's mobile app and website. However, in this instance, HDFC Eva stands out, as you don't need to open the app to ask your query. Instead, you can easily reach out to her on Google Assistant or Amazon's Alexa too. Other banks are also working on integrating with different AI-powered virtual assistants like Apple's Siri, Amazon's Alexa & Microsoft's Cortana. Also, a few banks are working on incorporating their chatbots on social messaging apps like Facebook and WhatsApp so that they can engage and help customers directly. These chatbots normally interact with their users in either Hindi or English, but in order to enhance customer experience and increase penetration, banks are also working on including them in other regional languages. The chatbots that the leading banks are using are so efficient that even with typos and human errors; they can easily identify a user's intent by a large extent.



However, even with so many benefits, if we analyze the maturity of the conversational banking in India, evidently, it is still in a very embryonic stage. Banking virtual assistants are still relatively new in India and not very popular among users. There is a reluctance amongst users to use a chatbot to perform their banking activities. While there is no doubt that people here want to use their bank mobile apps to transact, it will take them time to use voice assistants for banking purposes. However, as people get more comfortable in using voice-activated assistants like Siri, Alexa, and Google Assistant, they may start using banking virtual assistants often too.

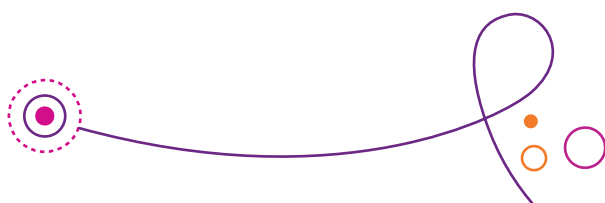
Currently, chatbots are also somewhat limited in functionality and a lot of advancements are yet to be made, which Indian banks are trying to work on. Currently, these chatbots are capable of only responding to queries and performing basic banking activities, but they need to reach that stage where they can proactively initiate a productive conversation with the user like reminding the customer of upcoming bills or if the reward points are going to expire. Say if a user is booking a flight, then the chatbot should proactively tell him about the prevalent offers. Chatbots need to be trained more so that that they can also provide advanced insights and recommendations to users about to their spending. For instance, if a user wants to know how much he has spent in a particular store last month, the chatbot should look at the transaction history and display the amount.


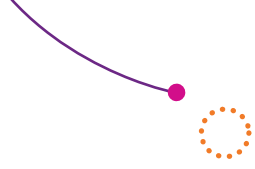
As AI technologies get smarter with more interactions and consumer data, these chatbots will surely become smarter and more responsive with time. While we will never know if these virtual assistants become users' most preferred choice to manage their finances, conversational banking is surely giving Indian banks access to heaps of critical data on customer goals, financial behavior, intentions, and desires, based on which, they could upsell or cross-sell and recommend the most relevant offerings to the consumer. Nevertheless, banks should also remember that the goal is not just to cater to the needs of the consumer, but also to become a financial advisor to them. It is to understand the customer needs and offer them the best possible solution based on the insights, which are derived from large sets of data.

Too much information to process? Let us make it easier for you to understand by exploring the benefits of conversational apps in the banking sector in a more consolidated form.

Benefits of Conversational Apps in Banking

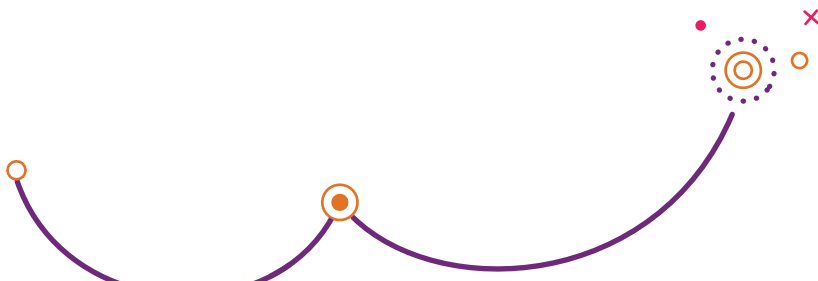
1. It improves customer service as it provides faster and reliable answers to users' questions. One needn't visit the branch and wait over phone/IVR (Interactive Voice Response) if a virtual assistant can answer queries quickly. A few drawbacks of IVR were:



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- Customers had no way out of calls
 - Call transfer rates were very high
 - Scripts were stilted and the recording was also poor
 - The information was quite repetitive

On the other hand, these interactive assistants, available 24/7, can help customers manage not only tasks like checking account balance and paying credit card bills, but also more complex ones like processing loan requests, opening or closing a bank account, and so on. Online chatbots do so by freeing up the time of human agents at many stages by answering frequently asked questions (FAQs). Now, human agents can devote most of their time in solving complex complaints and problems, which allow them to become a greater asset to the organization.

2. Voice assistants can help you get rid of typing, thus saving your time. It is a better fit for customers who prefer to talk rather than text. As people are now more comfortable using voice-activated apps like Siri, Google Assistant, Alexa etc. in day-to-day life, it's very likely that they will use banking voice assistants too. For instance, one could say 'Send Ravi Rupees Rs. 1000' or 'Make a gas bill payment of Rs 900.' Simple transactions like transferring money and bill payments can be done quickly without navigating multiple menu and screens.
3. Personalized customer experience – When AI is implemented in banking systems to collect data from transactions and interaction history, it can predict customer preferences and spending intent. It can help banks leverage insights from behavior data across multiple touchpoints to create super personalized experiences across their entire journey. For example, the AI chatbot observes users' high travel spend. Using deep learning techniques, the bot recognizes the need for a travel credit card that can help save money and earn reward points. Similarly, reminders are a great way of helping customers avoid penalties. Timely follow-ups and reminders witness a higher probability of being converted into action. Apart from balance estimates, chatbots can provide a wide range of insights like spending habits, recurring charges over a year, charges on specific months and locations. Hence, it can also behave as financial advisors.
4. Quick assistant in cases of suspicious activities – Bots can send notifications about fraudulent activities and suspicious charges. Therefore, a quick action such as blocking your card can be done by calling a live agent.



Future of Conversational Apps in Banking

A majority of us have seen Star Wars or Star Trek. What we saw we thought to be beyond imagination, given the surreal experience on a big screen. However, as the time progressed, the unimaginable become reality, and today, the lines between possible and impossible is as thin or thick as one's imagination.

What if we tell you that AI chatbots can offer more than resolving simple bank tasks like making money management easier, making customers select and prioritizing their most important goals at every life stage across multiple areas, including finances, family, health, home, work and leisure, or help in financial planning at an early stage of your life so that you need not worry about your retirement?

What if with so much advancement in technology and the Metaverse coming into the picture, there may be a near future where conversational apps, which we currently believe will become more advanced and integral parts of our life, may not even exist anymore and become obsolete? There is a chance that our next generation may not have even heard about conversational apps the same way as Gen Z would find it hard to believe a world without smartphones and all the facilities at their fingertips.

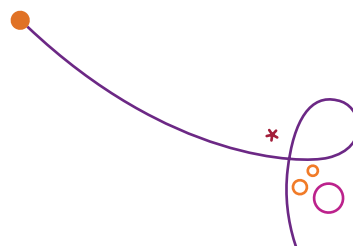
The world is changing rapidly. The future is very uncertain; there are so many possibilities that are beyond our imagination that we cannot ignore or reject. On that note, we would like to end with ***“Welcome to possible.”***

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