

Technology at its best enables new possibilities. For one Thai bank, upgrading to a new core banking platform has enabled it to scale its loans processing to meet its nation's economic goals.

Core Banking Upgrade Powers Government Housing Bank in Its Special Role

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Written by Michael Araneta, Associate Vice President, IDC Financial Insights Asia/Pacific

From the get-go of the meeting with IDC, Government Housing Bank (GHB) President Chatchai Sirilai emphasized the "special role" that the bank plays in supporting the government policies in promoting economic development — helping Thai citizens achieve their home ownership aspirations. "[We are in the business of] making dreams come true, ensuring that Thais get to own a home and keep it," he said, explaining GHB's mandate to ensure no one is left behind in the dynamic and fast-changing economy.

Therein lies the unique socio-economic charter of GHB since its founding in the 1950s. Low-to mid-income earners have always aspired to own their homes, and their aspirations are among the highest in the Asia/Pacific region. Over time, changing social and economic conditions have made home ownership a priority focus for the government. What was once difficult, is not only possible but made easy now.

Flexibility to Meet Customers' Needs

Early in his term as bank president in 2016, Chatchai set a goal of getting 800,000 Thai citizens to purchase homes by 2020. To meet the goal, GHB intensified loan approvals and disbursement. Today it is well beyond its target, approving mortgages of more than 1,100 billion baht daily.

GHB also had to take a closer look into its current and potential customer base to identify specific changes to customer habits and preferences vis-à-vis home ownership. One example is the younger-generation Thais with micro-families who prefer to not stay with their parents. In meeting the needs of this group, GHB not only focused on the market for small condominiums but expected that these micro-families would over time

SOLUTION SNAPSHOT

Organization:

Government Housing Bank

Business Goal:

To help low- to -mid-income Thais own their own homes

Strategy:

To be more efficient in the entire customer lifecycle from product development to client onboarding for this growing customer base

Technology Implementation:

Adopted Silverlake Axis Integrated Banking Solution built on IBM Power Systems

Benefits:

The system has enabled the bank to improve the Know-Your-Customer process and shorten customers' waiting time by reducing the number of documents needed in the traditional lending process



Photo courtesy of GHB

GHB President Chatchai Sirilai believes the bank is well poised to better serve customers

purchase larger properties. "[Like] terraced house as their second mortgage, and ask their parents to live with them," he noted, pointing out that families would eventually purchase a detached house.

Chatchai believes there is a deepening loyalty among these types of customers, as they eventually open, maintain, and pay off two to three mortgages with the bank.

Additionally, GHB also recognized the market for low-income households, especially since Thailand's commercial banking sector tends to de-prioritize this market. With a reminder of its special charter in national development, GHB offers extreme customization of both its offer and services to this segment. GHB has understood that it needs to be flexible with its debt-service ratio requirements for some segments, and to be open in tweaking payment terms and re-mortgage conditions. GHB has also taken special efforts to attract this segment to consider building a relationship with the bank. In well publicized campaigns that are akin to "home loan days", customers can gain access to special low interest rates, flexible repayment terms, and quick approvals. These GHB events have received overwhelming response, with about 50,000 new loans granted over these weekend campaigns.

New Technology Capabilities Enabled by a New Core

There is a new energy in GHB, obviously — its business growth of 6% year-on-year in the past two years has been remarkable. It is expected to keep to that level of growth in the medium term.

GHB's growth is a story of scale and flexibility, facilitated by a new core system platform that it completed in 2018. GHB's new core system, on the Silverlake Axis Integrated Banking Solution (SIBS), comprise four key modules: loan origination, loans servicing, debt recovery and deposits.

Unlike the previous core banking system which posed data conversion migration performance issues, Chatchai noted, data conversion and migration to SIBS was a cinch, especially in getting loan accounts data into the core system. The new platform proved advantageous, enabling bank staff to focus on areas that matter most, namely serving customers. The system has not only enabled smooth operation of the complex data processing environment but also improved the bank's Know-Your-Customer (KYC) process and shortened customers' waiting time by reducing the number of documents needed in the traditional lending process.

Thanks to speedier transaction processing, the bank is able to disburse loans within one day for fast-track mortgage services — assuming documents and customer information are complete and verified — and three to five days for the average loan application. The bank maintains 3,000 staff to support the lending process across its small 200-branch nationwide footprint. There hasn't been a need to increase human resources to meet the volume of loan applications due to the shortening of the approval process.

Another key benefit is the stability of the bank's core platform as a result of GHB's recent investments in SIBS which are built on IBM Power Systems. "Our IT infrastructure is now stable and of good performance," Chatchai said. "Which means we can serve the customer via high standards of engagement."

These high standards include not only the quick turnaround times but capabilities to integrate engagement with mobile channels. The recent home loan day campaigns integrated the loan approval process to GHB's mobile

application, for example. In those campaigns, customers are informed of the bank's decision via mobile channels, with information on account codes and the date that they are to get their loans disbursed.

GHB has also become more efficient as it pursues the massive flexibility promised to its customer base. Highlighting the challenge of staying current to market needs and serving every new customer with their varied loan requirements, Chatchai explained, "We needed to have flexible rules." At any given year, there are 30 new product programs launched and run by GHB as well past programs made obsolete. This flexibility is possible with the new platform which caters to the new product features required by the market.

Success: Quick Implementation

What is especially notable in GHB's new core system project is its quick implementation. It took about 18 months for the first four modules to be up and running — an improvement over the 7-year benchmark set by projects of the same size and scope as well as GHB's 4-year projects in the past. On this, Chatchai credited it to Silverlake for not only being "flexible" but also understanding "what we wanted, in terms of architecture and design".

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Chatchai believes, however, that the greatest contributor to the quick completion of the project was the decision to be specific and strict on milestones. "You cannot shift milestones. You have to identify problems (in meeting them), know exactly the way you are going to solve every problem, and do not leave it (the solution-finding) unresolved," he noted. GHB's application development and IT operations teams were thus heavily involved with the Silverlake implementation team throughout the effort. Projects of this nature often present a steep learning curve for GHB and other banks, especially as the industry suffers from a lack of domain expertise and relevant project management skill sets. GHB appears to have gone through this hurdle well.

The GHB Way Forward

With new technology capabilities in place, GHB can thus focus on other things. Aside from continuing its annual growth of 6% and managing non-performing ratios (NPLs stand at 4%), Chatchai has set the goal of developing new product features that ultimately help "raise the quality of life of our customers". The bank has started to look into expanding its liabilities business. For example, introducing products for savings and lottery-inspired savings.

Against the backdrop of intensifying industry competition and technology disruption, part of the growth plan is also to build greater collaboration across the bank and foster innovation enabled by the latest technologies. New fintech market entrants are changing the value chain of financial services, starting with deposits — cash management and personal financial management — which will impact funding sources. The lending business might be vulnerable next, thanks to peer-to-peer lending and to the sharing economy-inspired digital services that might change the aspirations for home ownership. But amid these threats and new obstacles, GHB will continue to focus on its special role in the Thai banking sector. As long as the aspirations for the security and safety of home ownership are there, GHB will be there to deliver.

Methodology

The project and company information contained in this document was obtained from multiple sources, including questions posed to GHB, information supplied by Silverlake Axis, and IDC Financial Insights research.

About the analyst:***Michael Araneta*, Associate Vice President, IDC Financial Insights**

Michael Araneta has more than 15 years of experience in business research, focusing on financial services and business innovation. He leads the research and consulting work for IDC Financial Insights in Asia/Pacific, which has allowed him to work closely with the leading banks and regulators in the region for their technology and innovation strategies.

 **IDC Custom Solutions****IDC Asia/Pacific**

80 Anson Road
#38-00 Fuji Xerox Towers,
Singapore 079907

T 65.6226.0330

F 65.6220.6116

Twitter @IDC

idc-insights-community.com

www.idc.com

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