

## As digital banking grows, branches get smaller

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SBI's InTouch digital branch

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*Banks are remodelling their branches to make them more tech-driven*

Mumbai, November 17:

With consumers increasingly using mobile phones and the internet for banking services, major banks are reducing the size of new branches.

Kerala-based Federal Bank, for example, has shrunk the size of its newly built branches from 1,200-1,800 square feet to 800-odd square feet.

Digital banking has also paved the way for banks to remodel their branch banking by allowing technology to play a major role.

ICICI Bank, the country's largest private bank, said branches would continue to be set up. "Only the size, number of people required at a branch changes. Also, cost of operations is reduced and it helps profitability," said Chanda Kochhar, the bank's MD and CEO.

On an average, a branch banking transaction costs a bank about ₹40-50 per customer, while an internet or mobile transaction brings down the costs to ₹15-30 per customer.

### **Complementary role**

The customer is interacting with the world through various digital interfaces — through the web, social media, digital wallet and e-commerce. Banks are already leveraging technology to survive competition.

In the past, the branch was the fulcrum of the bank's relationship with its customers, but now with the rise of mobile and online banking, bank branches need to play a complementary role in an omni-channel strategy.

A branch needs to act as a support system to other banking channels and aid video or audio-based customer care facilities to provide face-to-face contact whenever required. Shyam Srinivasan, MD and CEO of Federal Bank, said branches are here to stay.

"The size has now shrunk from 1,200-1,800 square feet to 800-odd square feet...Our focus is on Tier-II and III cities where it is not possible to open a full-fledged bank as there are viability issues," Srinivasan added.

In fact, the country's biggest bank, State Bank of India (SBI), in July this year planned to launch 250 InTouch Lite branches in FY16 as part of its digital push. InTouch Lite is a lighter version of the bank's full-fledged digital branch.

Chairman Arundhati Bhattacharya said not only was the bank going slow on new branches, but the entire branch network was also undergoing a transformation.

"So, there will be changes in the branch format. There will be changes in the branch location as well, depending on where the habitation is moving," she said.

Similarly, HDFC Bank is playing with the concept of “bank *aap ki mutthi mein*” as the “digital revolution has shrunk the size and time for banking”, says its Managing Director Aditya Puri.

### **Trend abroad**

According to a report based on an IDC Financial Insights study, more branches across Europe are being refurbished than shut down.

“Branch networks everywhere are being refreshed and modernised, reflecting the continued value banks place in them. There is far more variety in branch size and format these days, with mobile branches, kiosks, and coffee shops replacing the traditional layout,” the report said.

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