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Digital revolution: When banks became kirana shops

By *Saloni Shukla*, ET Bureau | Dec 23, 2015, 05:18 AM IST [Post a Comment](#)

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There was a time when a banker at the branch would turn away an anxious student looking to pay college fee through demand draft saying it is beyond working hours. Or an ageing couple would have to wait for nearly 10 days to credit the cheque their son or daughter would have sent them.

But 2015 would go down as a year when you can order coriander leaves or drumstick through your bank at the click of a button, or buy Adidas shoes or select a dining table for your home. In essence, this is the year when banks just did not remain banks, but became a kirana store as well as a market place in a bid to ensure their survival.

Whether it is a wallet where you store money to pay for a purchase, or a mobile app through which you could transfer funds or trade in stocks and bonds, it was hectic 12 months for bankers who were made to run harder by customers than regulators. "I would say what we have done in the last one year (for customers) would be much more than we have done in the last 10 years," says Rajiv Sabharwal, executive director, ICICI Bank. "Everyday something becomes simpler."

A Marathon

The year 2015 saw a mobile phone becoming a bank with ICICI Bank launching Pockets, a digital banking service in February and it has witnessed over 2.8 million downloads so far. About 1.5 million customers are registered out of which about 70 per cent are non-ICICI customers.



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Others were not left behind. It was such a marathon that almost all banks, including some of the laidback ones, got into the act and joined the app or wallet bandwagon. While it would be pushing the envelope to say these would become customer acquisition tools, one could reasonably be sure that without these offerings the customer is sure to walk away. "If they don't change, there's a problem," says Aditya Puri, chief executive at HDFC Bank. "Everybody will face different problems. If you are a small bank and you don't offer all these conveniences, customers will go away. People who do not understand the new paradigm by the digital world will pay for it. Benefits can come to people as long as you understand what your customer wants because what has happened in this new world is markets are also being substituted with networks of information with the customer at the centre. This blurs competition. The insurance fellow is also your competition; Airtel is also your competition; payments banks are also your competition."

HDFC Bank launched PayZapp, a mobile app, in June that enables customers to make online payments and Chillr, a wallet that allows users to send money to anyone in their phone book. Both these mobile phone apps have seen over 1 million downloads each. In October this year the bank also tied up with e-lala.biz — an initiative that will take online all retail shops including the corner kirana store.

Indeed, banks' attempts to improve services haven't gone unnoticed by customers. They are taking to technology like duck to water with online and mobile transactions soaring to over 60 per cent this year, from over 45 per cent a year earlier. Axis Bank, which launched Lime in September, has seen over 1 million downloads of the app in just three months. Lime app integrates wallets, shopping, payments & banking on a single platform.

"It is not about banks going digital; it's about consumers spending more and more of their time digital and their expectations are they want to be served anytime anywhere," Rajiv Anand, group executive & head, retail banking, Axis Bank said.

Axis Bank's mobile banking base has increased by 68 per cent in the last year with transaction growth of 118 per cent and spends growth of 414 per cent in the first six months of the fiscal. "In the last quarter (Q2), we saw as much as 89 per cent of financial transactions by Axis customers happening outside our branches," says Anand.

PSU Banks Not Far Behind

While private banks led the digital revolution PSU banks were not far behind in wooing customers who preferred to transact on digital channels. State Bank of India launched SBI Buddy, a wallet, in August and now has 3.5 lakh customers on this platform. In fact, the banks say that the playing-field is not level. While they are governed by the strict rules of the Reserve Bank of India, many of the technology companies are out of the central bank's vigil.

"If you look at e-commerce platforms like Flipkart, I can just create an account and shop," SBI chairman Arundhati Bhattacharya has said. "But online banking poses natural barriers for banks such as KYC issues and the mandatory need to have an account. That ease of banking has not been provided yet". Will 2016 get easier for banks to compete with the rest of the businesses, or will others face tougher times in performing the functions of a bank? Tough question.

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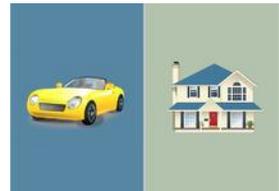
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