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Banks can halve transaction costs by going digital: Report

By PTI | Updated: Apr 01, 2016, 04.38 PM IST

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NEW DELHI: Banks in India can reduce costs by up to 50 per cent per transaction in the next few years by redesigning their processes and systems for the digital age, structurally changing their cost base and instituting more aggressive cost management processes, says a report.

The ASSOCHAM-PwC study highlighted that leading banks will have to rapidly improve their footprints, reduce branch size and costs, introduce new models and migrate transactions to low-touch digital channels.

"Branch banking needs to undergo significant transformation. As technology enables every aspect of banking to go online, and as cash usage falls away, traditional branches are no longer necessary.

"Branches may remain, but need to take many forms, from flagship information, advisory and engagement hubs (offering education, financial advice, full service capabilities and community offerings) to smart kiosks," noted the study.

It pointed out that going ahead, smart devices will grow in importance and take their place alongside cards (debit/ credit/ATM) as primary medium for consumer payment which will continue to remain popular, as they are quick and effective, allowing easy compartmentalisation of spend.

The study said that banks which lag behind this trend will start to struggle due to structurally uncompetitive economics. So, existing banks will need to restructure their cost base, while at the same time investing in innovation around areas such as analytics and delivery.

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