

Need for branches will not disappear in next 10-12 years: Arundhati Bhattacharya

K Ram Kumar / NS Vageesh

The older generation people still believe in brick-and-mortar banking, says SBI chief



State Bank of India started the process of assimilation of associate banks into its fold in 2008 with State Bank of Saurashtra. Two years later, State Bank of Indore got merged with its parent. After a hiatus of almost six years, India's largest bank has rekindled the unfinished merger agenda — of consolidating the remaining five associate banks with itself, albeit with a little nudge from the government.

Now, SBI is planning to do this in one go and expects to complete the process by March 2017. Along the way, it will also acquire Bharatiya Mahila Bank. In an interview to *BusinessLine*, Chairman Arundhati Bhattacharya outlines how the consolidation will wring out efficiencies for her bank, the possibility of adding two more circles, and why despite advances in technology, branches will still be needed. Excerpts:

What advantages will accrue to SBI due to consolidation?

I believe that there are a lot of inefficiencies right now on account of duplications. If you have six corporate centres, six treasuries, six of everything and then if you bring it down to one of everything, obviously there are some savings.

So, that saving will come. It (savings) will come in the corporate centre (in the administrative set-up), it will come in treasury, it will come in the large corporate and mid-corporate (verticals). When it comes to large corporate and mid-corporate clients, many of their (associate bank) accounts (80-85 per cent of their accounts) we also have. So, it is a question of putting together the amount. These are not new accounts coming to us.

So, to that extent, you know, it is not something that will need more staff.

And while I am able to get good skilled staff — so if treasury gives me some people, large corporate gives me some people who are well trained — I can deploy them in the proper places so as to make our operations even better. So to that extent, I think, overlaps will be taken out, inefficiencies will decrease.

Similarly, in respect of products and processes, we will be able to bring the best of those to the entire group. Today, for instance, when we implement something in the digital space, it takes about a month for us to start implementing it with the subsidiaries. So, in spite of our best efforts there is still a time lag. Now that time lag will no longer exist. So, the whole of it will happen simultaneously.

And that will give me a better handle on the risks as well because the risks we perceive today should be known to the entire organisation immediately.

But because they (associate banks) are separate board-run banks, it sometimes doesn't happen like that. In the recent past you have seen that some of the SBI subsidiaries have had some penalties being levied.

We were firmly of the opinion that if this had been one institution, then probably this would not have happened because those same risks were perceived by us and we took some amount of action on them.

But by the time it was communicated and understood by the others, some things had already gone past us.

So, our belief is that if you look at the organisations (SBI and associate banks), they are very alike. And if we put them together, we will be able to make them more efficient, curb redundancies, and therefore make more commercial sense out of the whole organisation.

You will be adding a bank probably of the size of an ICICI Bank by March 2017. How will you manage this?

Maybe we will look at opening one or two more circles. So, some States will become independent circles. We have not opened circles for a long time. So, probably we are looking at a separate circle for Andhra Pradesh and one for Rajasthan. So, that probably will happen.

Today, for instance, we have a Deputy Managing Director and Chief Operating Officer. This position was not there till two years back. It was only two years back that we put in DMD as the Chief Operating Officer because our operations have become very large.

But today we also have the advantage of technology. So, it helps us, especially regarding operations — what is down, where it is down and things like that.

Will consolidation not trigger branch rationalisation?

Of course, there will be some amount of rationalisation. I am not saying that branches will get closed down, but definitely branches will get shifted because in many places we have branches very close to one another and it does not make sense. Because we are a legacy banker, we are there in many of the older parts of the communities.

Today, most of these towns are spreading out, they are multiplying. For example, greater Mumbai has become much bigger and in those places (city outskirts) we may not be having that many branches.

So, we will take this opportunity to improve our footprint while ensuring that we put proper distance amongst branches and ensure that there is better coverage of the population.

With the advent of alternate delivery channels, will you need so many branches?

Actually, if you go to our branches and see the number of footfalls, then you will realise that India has a very peculiar demography. It is a young country with a median age of 26.2, I'm told.

But it has also got a lot of people who are of the older generation. And the older generation people still believe in brick-and-mortar banking. So, in the next 10-12 years I don't think the need for branches will disappear. It will still be there.

Of course, the numbers we may be able to bring down, especially in metro and urban areas. But in rural and semi-urban areas, I think, the requirement will still be there.

We still have customers who don't even know where to put their left thumb impression (on documents, withdrawal/pay-in slips).

We have to literally take them by their hand and have it put for them there....So, in all these cases, we train our people to tell them verbally the amount of money we are handing over.

So, in the case of all such people, where we know that the customer is unable to read and write, we have a special way of handling them. We have such customers.

On the other hand, we have customers who are comfortable anywhere in the world. So, they are global customers.

So, I have all kinds (of customers). And I have to be everything for everybody. And that is why we have now a very varied channel strategy....The branches will be different for people in different localities. If it is a new locality, the branches will be more digital, with less people and less cash. If it is in a very old locality or in a semi-urban place, the branch will be more people-oriented with more cash.

Besides the branch, we also have business correspondents, which is the franchisee model. And we are pushing that very hard because we know that the ultimate last mile reach, especially for small communities, is going to be through these people. So, we are trying to enrich the offerings that a BC can give to its customers.

Will you cast the consolidation net wider to include more banks?

At this point in time, no. We are already very large. We are now two times our next competitor. With this merger (of five associate banks and Bharatiya Mahila Bank with SBI), we will become three times our next competitor.

Now you don't want to grow so big...there I would say that we halt for a little while, consolidate, and then think about it. At this point in time, we are not thinking on those lines.