

One year of demonetisation: Banks see cost benefit from digital push

Demonetisation and implementation of the goods and services tax has also led to formalisation in the economy

Nikhat Hetavkar | Mumbai November 08, 2017 Last Updated at 00:46 IST



Digital initiatives by banks accelerated in the past year after

Banks

demonetisation. This was driven by the cash crunch and a government push, resulting in more awareness and adoption of digital products.

“Awareness levels have increased manifold. Now, if we offer the same products and services, acceptance by customers is much better,” said Anup Bagchi, executive director, ICICI Bank.

Axis Bank says it’s seen a sharp decline in transactions at branches. Digital transactions are now two-thirds of their transaction mix. IndusInd Bank saw a 50 per cent jump in the number of digitally active customers and significant rise in transactions per active customer. A little over 90 per cent of monthly banking transaction value has migrated to digital modes.

In the case of ICICI Bank, digital channels like the internet, mobile banking, points-of-sale and call centres accounted for 81 per cent of savings account transactions in the first half of this year.

“The movement away from cash to digital transactions has helped reduce the banking transaction cost on the consumer side. Introduction of new-age digital payment services on the merchant side like QR, UPI and Aadhaar Pay has helped bring more merchants on board. This opens a virtuous cycle of financial inclusion, fuelled by digitally enabled commerce,” said Ritesh Raj Saxena, head of savings, digital & payments business at IndusInd Bank.

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Bagchi says it is now easier to pull customers towards digital products, as the latter believe digitisation is backed by the government, itself a large player in the payments space.

Demonetisation and implementation of the goods and services tax has also led to formalisation in the economy. This has brought additional funds into the banking sector.

“Demonetisation has brought in savings from informal sectors. This has helped bring down lending rates in the economy. The money which came in the savings and current accounts is looking for more profitable avenues, as seen in the inflows to mutual fund and insurance products,” said Rajiv Anand, executive director, Axis Bank.

Bagchi said, “Formalisation of the economy helps to improve the digital footprint of their customers, which helps banks using data analytics to drive loans better.”

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While digitisation and automation have made internal processes more efficient, front-end products are being enhanced digitally through robotics, artificial intelligence and botchats.

“While cash still forms the bedrock of a majority of transactions in India, building a cashless eco-system would automatically mean we are creating more context-driven payments. Which in turn broadbases the opportunities to introduce payments to such segments of customers,” said Ritesh Pai, chief digital officer at YES Bank. He added that all players in the digital finance system should invest in ensuring segments such as home makers, students and daily wagers become part of the cashless economy.