Federal 'Banks' on blockchain tech to speed up remittances

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Shyam Srinivasan, Managing Director, Federal Bank - BusinessLine

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Shyam Srinivasan, Federal Bank's Managing Director, wants to be 'restless' about technology, which means experimenting and constantly keeping an eye out for the next big thing.

"In the wider scheme of things, banking as we know it today, will not be the same a few years from now; things are changing even as we speak," he says.

Foreign remittances

In its quest to leverage the latest in technology, the Kerala-headquartered Federal Bank is among the first banks to introduce blockchain technology in its forex remittances pipeline to India. Given that the State of Kerala accounts for 35 per cent of all foreign remittances that come into the country, and Federal Bank accounts for 35 per cent of the remittances that come into Kerala, which is around $9 billion, Srinivasan says bringing in this new software tech is an important step for the bank.

"We have entered into 110 exchange house partnerships worldwide; 85-90 of these are in the Middle East. We have tied up with the Lulu Exchange Centre, a large exchange house, where blockchain is integrated in both our systems and is now in the trial phase. As we iron out the glitches, we will scale it up," he explains. The rollout started in December.

Blockchain is a common sharing of information and data – in real time and accessible to everyone. In the conventional model of payment transfer, explains Srinivasan, one would have go to an exchange house in Dubai or elsewhere, pay in dirhams, and ask for rupees to be paid to someone in India; it has to go through a sequential process. Now, the information is transported everywhere and is available to the branch instantaneously in India that a remittance has been made. "The process is getting disintermediated and multiple levels and timelines are crashing while the security is also greater," says Srinivasan.

Federal Bank will also participate in a global event planned by the Kerala government to make the State a more attractive investment destination.

One of the themes is 'World of Tomorrow', and Federal is the "Imagination Partner" on how banking will look in the coming years. "Our theory is that the more intuitive things become, the more the acceptance and adoption of technology. We will explore further in that direction. The phone has become so integral to our lives; it's like our 79th organ," he says, tongue-firmly-in-cheek.

Big data analytics

Federal Bank is also using robotics and big data analytics to speed up its banking processes while cutting down on manual errors. Earlier, one part of the banking system could be doing something which was less visible to others, but with the whole system now synched and automated, it is connected everywhere. "The chance of hiding behind inefficiencies is reduced," he adds.

The bank's 24/7 monitoring mechanism of both employee and customer accounts runs through 86 parameters, which are watched by top management. For example, if a disproportionate amount is remitted in an employee's account, a red flag goes up, and an explanation is sought, even if it is the result of a legitimate property sale.

"In a customer's account, if something is not aligned with a pattern, alerts go up. We are using big data and analytics for all this, but these are evolving," says Srinivasan.

Ask Srinivasan, an engineer from NIT-Tiruchi and an MBA from IIM-Calcutta, how he keeps abreast of tech, and he is thoughtful. "It's an endless journey," he says. "I pick up from conversations, reading and just plain curiosity. And, of course, moments of serendipity as well. The worst part of tech is that before you are quite familiar with it, the next one has arrived. Tech is profoundly changing how people are going about their lives."