

How digital banking is fast, cheap and productive

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Sitting in his fifth-floor office overlooking the serene Kaikondrahalli lake in south-east Bengaluru, Rajeev Yadav, MD & CEO of Fincare Small Finance Bank, explains to *BusinessLine* what sets apart this small finance bank from its peers. Backed by marquee investors, True North, Tata Opportunities Fund, Leapfrog Investment and SIDBI, among others, Fincare SFB, which was earlier Disha Microfin, lays great emphasis on tech to keep costs low and provide doorstep, assisted digital services to its customers. Excerpts:

Your customers are predominantly in rural areas. How do you make them comfortable with technology in opening accounts and operating them?

Typically, in banking today, rendering services through digital and non-digital modes are polarised. On the one extreme, you have branch-based services which are paper-based with signature, with the maker-checker requirement, and offering no insight to the branch staff into the customer's transactional and communication history.

For example, if a customer needs to transfer funds to a payee at a bank branch, the branch has no access to the payee that the customer has created on internet banking, and would instead request a paper form and a cheque to complete the transaction. Similarly, opening an FD with funds from an existing savings account also entails a paper-based form, with or without a cheque.

On the other extreme, banks offer all these transactions on their internet and mobile platforms in a pure self-service digital mode.

In the Indian context, more so in rural/semi-urban markets, what is really needed is an assisted digital model that the airline industry has adopted. We see airline staff at airports next to self-check-in kiosks guiding customers through the check-in process.

This is a necessary intermediate stage in the path of moving most customers to a self-service digital mode. This is a key challenge for SFBs that cater to rural and semi-urban markets and want to see their customers eventually operate digitally. Fincare has adopted a model of tab-based banking where all our customer-facing employees are equipped with tabs to provide banking services at any location, in an assisted mode to customers.

This includes services such as account opening, cash deposit and withdrawal, funds transfers based on NEFT, RTGS and IMPS, issuing of instant debit cards, and fulfilling service requests. This enables us to provide instant services anytime at the doorstep of the customers in digital mode, almost as if the customers were doing this themselves.

And for those customers who can handle technology themselves, what do you offer that is different from other small finance banks and NBFCs?

Fincare SFB offers 101, a digital savings account that can be opened online in five minutes using Aadhaar based e-KYC. Fincare's 101 customers get their personalised debit cards in a couple of days, including those with the zero-balance variant. Alternatively, when accounts are opened on the tab for digitally-savvy customers through our field teams, an instant pre-generated card kit is handed over to the customer for use.

In both these cases, internet and mobile banking are instantly activated for our customers, through which they can do all transactions such as funds transfers, bill payments, opening of FDs, and raising service requests. From the time of launch of banking operations, Fincare has offered mobile banking on both iOS and Android systems, and a responsive internet banking experience across devices for our retail customers. We are also in the process of launching UPI, Bharat QR, BHIM and Aadhaar-based payments over the next few months.

For digitally-savvy customers who need to deposit cash, Fincare's ATMs are also capable of accepting cash from these customers, and providing instant credit, in a complete self-service mode. With these digital channels, Fincare's customers have access to 24/7 banking.

Does the use of technology help cut costs?

Yes, indeed. Consider these: Aadhaar e-KYC minimises the need for paper-based KYC and manual verification of the same at the time of account opening. Real-time integration with credit bureaus, and algorithms for credit decisions, help reduce the requirement for back-end manpower, and improves the productivity of our sales staff.

Paperless, tab-based account opening, transaction processing and service request fulfilment reduce the dependence on paper (a cost factor). Anywhere and anytime banking through various digital channels minimises the need for the number of branches. Use of pre-generated card/cheque kits that can be handed over to customers instantly at the time of account-opening eliminates the cost of personalisation and courier charges, and provides instant gratification. Lastly, opening of digital savings accounts reduces the cost of customer acquisition through field teams, enabling field teams to focus on servicing the customers and cross-sell products.

Currently, NPAs are the biggest problem for banks. How have you managed to keep your NPAs so low?

The NPA problem has largely been with banks that lend to medium and large corporates. NPAs in the retail segment have been stable in the last few years. About 95 per cent of Fincare SFB's lending is in the retail segment, comprising rural women at the base of pyramid, and micro and small businesses in semi-urban and urban areas.

Our core lending has been microfinance loans involving the most valuable social collateral of 'Joint Liability Groups', in which the liability to repay the loan is on the group, and not the individual.

This model has stood the test of time of having 99 per cent-plus collection rates as borrowers at the base of the pyramid are fairly sensitive to the few lenders that provide them loans, and their social image among neighbourhood groups.

Tell us about your growth

plans till 2020.

By 2020, we expect to have a total business of around ₹15,000 crore, comprising a gross loan portfolio of around ₹6,500 crore, investments of around ₹1,800 crore, and deposits/ borrowings of around ₹6,800 crore.

Our suite of products will comprise microloan, loan against property, gold loan, MSME loan, affordable housing and two-wheeler loan on the lending side, and savings account, current account, fixed deposit, recurring deposit, locker, pre-paid cards and payment products on the liabilities side. We would also be offering wealth services such as mutual funds and demat accounts as well as insurance products such as life insurance, motor insurance, personal accident cover and health insurance.

During the current financial year, we plan to expand our branch network to 550, and an additional 2,000 banking service centres.

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