

Phygital is the way forward for banks to attract, retain customers

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Lenders can become far more effective through both digital and physical presence

It's not just mobile and digital channels, but brick and mortar branches too continue to remain a top focus of banks.

Most bankers point out that since 2011, mobile and net banking have seen a huge upswing due to improved Internet connectivity and accessibility but concur that physical branches give confidence to customers.

In fact, a strong branch network across the country is not just a requirement for public sector banks that are primarily responsible for financial inclusion, but private lenders are also catching up as they are keen on customer acquisition and increasing their deposit base.

Annual plans of most banks for 2019-20 have an equal play for both digital and physical channels even as they innovate and experiment on the mobile and Internet banking platforms that have seen huge positive customer response.

“Branches are the prime channel for customer acquisition and a large branch network gives a sense of confidence to the customers. Digital channels complement branch network to help them acquire new customers and give better customer service. At Federal Bank more than 75 per cent of the branch transactions have been migrated to digital channels. The bank has a very strong pan-India presence and we haven’t opened any new branches in the last three years, but may do very selectively in the coming year. Digital at the Fore, Human at the Core is our philosophy and we will continue to be phygital,” said Jithesh PV, Deputy Vice- President and Head of Digital, Federal Bank.

Phygital is a concept that is also used by Uday Kotak, MD & CEO, Kotak Mahindra Bank. In an interview with *BusinessLine* in January, he had said banks can become far more effective through the combination of digital and physical presence.

Take for instance, State Bank of India’s YONO app, which has become extremely popular with 73.49 lakh registered users as on March 31, 2019 and total transactions valued at ₹7,301.5 crore in the fourth quarter of 2018-19.

Similarly, ICICI Bank, which has a number of instant products like credit cards, has in recent months unveiled features such as digital and paperless sanctioning of auto and home loans. Other lenders like Kotak Mahindra Bank and HDFC Bank have added new features or upgraded their mobile banking apps.

Prakash Sundaram, Chief Strategy and Digital Innovation Officer at Fincare Small Finance Bank, said that banking is about customer experience as it can become boring around products. “Whether it is branches or customer premises that is “assisted digital” or “self service digital”, retail customers expect it as hygiene without which many would never engage with a bank,” he noted.

But, as the retail head of a bank said: “Branches just can’t be wished away although they can be smaller with less people deployed. The younger generation does not want the hassle of visiting a bank branch and find mobile and online banking much more convenient. But slightly older customers, say above 45-50 years of age, still prefer to visit a bank branch.”

Branches are also required for high net worth individuals who need a locker facility or personalised wealth management services, he further said.

Private sector lender HDFC Bank opened its 5,000th branch in February while Axis Bank inaugurated its 4,000th branch in March.

Adding branches

While planning a number of digital innovations, Axis Bank’s MD and CEO Amitabh Chaudhry had told *BusinessLine* in a recent interview that the lender has been adding 400 branches annually and intends to add 400 branches every year until it reaches about 5,500 branches.

Even smaller and mid-sized lenders such as RBL Bank have seen a steady increase in its network from 265 branches as on March 31, 2018 to 324 own branches on March 31, 2019.

However, public sector banks continue to rule the roost in terms of branch network. According to data with the Reserve Bank of India, PSU banks had a total of 90,821 branches as on June end, 2018 compared to a mere 28,805 branches of their private sector peers.

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