

Shift From Anywhere Banking To Anybank Banking-The Next Growth of Indian Retail Banks



Management

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ABSTRACT

Conventionally the bank's aim was purpose oriented, but now it has shifted towards the customer. Innovation in banking has become the array of the day. Increase in competition has thrown up new challenges and it is becoming increasingly more difficult for banks to retain their customers unless they offer advanced, faster and convenient services. (Lalitha,2012). New products like ATM, debit cum credit cards, internet banking, mobile banking have been introduced. At present, customers have to use the same bank services from the beginning of the transaction to its completion. But at certain places, some of the bank services are not available which creates inconvenience to the customers. Hence they want the facility of shifting from anywhere banking to any bank banking in the next decade where they can start the transaction through one bank, use branch banking, internet banking, mobile banking of different banks for completion of their transaction.

Introduction:

Bank Automation process started in the year 1985 in India. But it got a major breakthrough with the agreement between the Indian Banks Association and the bank employees. Indian banks are growing in leaps and bounds. With the development of technology, banks are able to offer their banking services through alternative delivery channels. Private sector banks/ New generation banks were already a step ahead in this as they were offering better, advanced and efficient services to the customers.

Global crisis of 2008 has changed the competitive landscape of the competitiveness for banks. By March 2009, private sector banks had completely adopted mechanization of services while public sector banks could only achieve 97% (Source: RBI). Shifting customer attitudes and shrinking profit margins has forced the banks not to just rely on products but differentiate themselves. Innovation has proven to be an effectual path for differentiation and competitiveness but 70% of the bank employees rate their organization's innovation level as poor or merely ample (Accenture report, 2011). Innovation thrives in organizations which foster flexibility, risk taking and creativity. But our Indian banking system is under the strict regulation of the RBI making it a risk averse industry. Regulatory fulfillment has added significantly to the cost of doing business and is impacting sources of fee income upon which banks have traditionally relied. Further many of the banks do not understand the need for innovation and hence fails to develop an innovation strategy. So, there is an urgent need for a change.

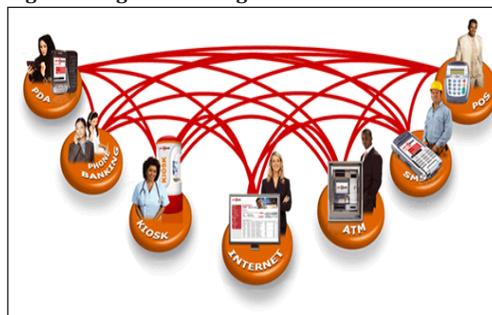
Today, retail banking industry faces an unprecedented need to invest in new operating efficiencies while reducing costs. At the same time, it needs to improve customer experience across all channels and offer customers more targeted products and services. The competitive landscape of the retail banking industry will not look much different in the next decade. Mergers and acquisitions will reduce the number of mid tier banks. Big size global banks will come into existence. Many banks have focused on reengineering their user interfaces across delivery channels, in an attempt to provide customers with an integrated multichannel user experience. By eliminating these channel silos, they can lower operating costs and use the time to market new products. This type of innovation will drive customer acquisition and retention, changing methods of customer engagement from "push" to "pull" across the physical and virtual worlds. Banks must protect their existing customer base from the growing threat of non-traditional competitors that have entered the banking space with disruptive technology advancements. With this need to innovate, many banks are turning to internet, mobile services and social media to create operational improvements, as well as analytics-based (and thus more targeted and personalized) ways of engaging customers across all demographics, most particularly with the increasingly desirable millennial market segment.

Multichannel Banking:

Advances in information technology such as the internet and mobile have pushed Indian Banks towards the self service agenda. The availability of alternative modes of banking, prompted the customers for usage of more than one channel for banking. Customers visit the ATM to withdraw cash and enquire about their account balance. With the introduction of internet banking, mobile banking, customers initially used it to monitor accounts and then for payments and transfer funds by using RTGS (Real Time Gross Settlement) and NEFT (National Electronic Funds Transfer). But at the same occasion, they also made visit to the branch. This was the time when consumers "Banked on multiple channels". Multi channel banking aims at provision of variety of products and services in a flawless and regular manner. Flawless here indicates customers can have a consistent experience and can shift from branch to mobile banking to online banking based on their need and wish.

Most banks see these channels as a competitive and strategic advantage. This view is logical since a channel is the key component of sales and service and is in direct contact with the customers. The expansion of the ATM, internet and mobile banking has been built on this logic. Since these technologies are relatively new, there is a belief that building competence in this new technologies and delivering better customer experience will augment competitive advantage. There is a deeper need to study the needs of the customer in the present scenario. So the various channels of bank will look as per the diagram depicted below:

Figure 1: Figure showing the various channels of banking



But the major disadvantage of this type of banking was that each channel was isolated from the other. The data generated in one channel is not visible in another. So, customers who initiated the transaction from the call centre to the branch had to explain the same to the branch staff. Banks are not having the complete opportunity to serve the customers efficiently. The integration of channels on a single platform will pave way for multichannel banking and has come to become a reality in the near future. Today, banking is integrated across devices, channels, products, and functions to provide seamless experience to customers. So,

banks are eager to collect a 360-degree view of customer activity on every channel round the year.

Today customers are not just demanding anytime/anywhere banking but are looking forward for "ANYBANK" solutions. In other words they are looking for aggregation of financial information of their bank account information. India's ATM have already witnessed inter-operability and the day is not far when the same operations are applicable to Internet Banking and Mobile Banking. Fast proliferating customer technologies like mobile have started to expose the limitations of the banks for better services. IT initiatives are largely aimed at to reduce branch escalating costs and investing into digital channels. Banks and financial institutions typically spend about 45% of their IT Budget on channels like Branch, ATM, Call Centre, Online banking, Mobile Banking. So, banks are investing adequate amount of funds else will affect customer satisfaction.

Social, mobile and visual communication channels are just round the corner together to renovate the way consumers interact with their banks and each other. Gradually multichannel banking is converting itself into omnichannel banking. It is the convergence of physical and virtual channels. The experience initiated in one channel is seamlessly transferred to another. According to industrial analysts multi channel banking on board will act as a differentiator and attract nextgen customers. Multichannel banks also provides round the clock support (online banking supported by call centre 24/7) and permits customers to select their channel based on their usage(at work, way back home, at home) and complete the transaction. Banks that build their multi channel based on these criteria will reap huge returns in the coming decade.

Figure 2: Figure showing the Proposed ANYWHERE TO



Source: Created by Author

Benefits of Multichannel banking

Latest RBI reports and newspaper articles have indicated that majority of bank spending is towards the establishment of branches. The major target of the RBI is to bring in more people under the financial inclusion fold, as even to this day only 40% of the total population possess a bank account.(Source: RBI). Banks will gain multiple benefits by investing in multichannel banking. They are as follows:

1. **Cost reduction:** Multichannel banking helps in optimizing operating costs and resources. With multiple channels customers walking into the branch will be few. Channel integration decreases data duplication. The cost incurred on serving the customer via the internet or mobile is relatively less when compared to a branch.

2. **Customer satisfaction:** Seamless banking allows the customer to start of their transaction from anywhere to anytime for the completion of their transaction. Since the transactions and the data are updated on a real time basis, customers have an access on the latest information. They can also have an integrated view of their account. This leads to customer satisfaction and loyalty.
3. **Customer acquisition:** Integrated channels will act as a boon to the customer as our Indian banking is lagging in channel integration. Channels like mobile banking will have a prominent role as it helps in market penetration where the branch presence is low.
4. **Revenue enhancement:** Provision of multichannel banking will have a definite impact on the revenue of the banks as the banks can cross sell other products to the existing customers.

Challenges in Multi Channel Banking:

Even though the advantages are numerous multi channel banking will not be a cakewalk to the banker as it involves integration of the entire banking system. The various challenges in adoption of multi channel banking are as follows:

1. **Investment:** Banks have to make a considerable investment in infrastructure and technology for setting up latest channels as well as integrate with the existing ones. Integration of different technologies is a continuous effort and requires to replace those that encumber seamless multi channel banking.
2. **Keeping pace:** Advancement in technology has created gadget addiction in customers. Enhanced features in these communication gadgets are launched regularly and customers expect that they must be able to transact using these new gadgets. This requires that the banks must have a continuous up gradation of their systems also.
3. **Security:** There is a factor of risk attached to every innovative channel that is introduced by the banks. The banks must always a vigorous preparedness and gear up for security of data, else it will lose money, customer and reputation.
4. **Regulatory Hurdles:** Today public sector banks are facing cut throat competition from their private counterparts and they are in a mad rush to introduce innovative products and services. But the regulatory system of the RBI always concentrates on the customer privacy, interest and security of information.
5. **Creating Awareness:** Despite the level of customer's education and age some of the customers are not ready to shift to usage of these innovative channels. So the banks must educate such customers from the usage of multichannel banking and encourage them for usage of such channels.

Conclusion:

Integration of the non branch models like the ATM, Mobile banking will help the customers where the presence of the branches is limited. Despite the limitations, taking a bird's eye view, the customer can go ahead and start usage of multichannel banking.

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