

Digital platform cannot replace bank branches: Ravi Narayanan, HDFC Bank

In an interview with ETCIO.COM, Ravi Narayanan, Country Head -Branch Banking & Retail Trade FX Business, HDFC Bank talks about the future of branch banking, digital strategy of HDFC bank and the reasons why bank branches will survive the digital juggernaut.

"Finance will be the most disrupted industry in the next 10 years. Bank branches will most be gone ... this decade," warned Peter Diamandis, Executive Chairman and Cofounder of Singularity University, at the Exponential Finance conference in New York City.

Financial technology experts around the world are sounding the death knell for bank branch model. And a premonition of things to come has prompted the banks to formulate digital banking strategies. Scrambling to offer a rich digital banking platform, the banks are trying to be technology forward.

But is the gloom and doom around branch model an unfounded fear?

To find out the truth behind this newfangled notion of branchless banking Sneha Jha spoke to Ravi Narayanan, Country Head -Branch Banking & Retail Trade FX Business at HDFC Bank.

In an interview with ETCIO.COM, Narayanan talks about the future of branch banking in a digital era, the digital strategy of HDFC bank and the reasons why bank branches will survive the digital juggernaut.

The evolution of digital technologies has compelled the banking sector to reimagine the way it does business. New business models are staging a grand entry on the financial landscape. With this change in status quo, financial technology experts believe that the bank branch model will cease to exist. Some even go the extent of saying that bank branches are mausoleums. What do you make of the pessimism surrounding the future of branch model?

I'll dispel this notion with one statement: Bank branches are here to stay. The financial technology experts often misconstrue that digital platform is replacing the physical infrastructure. To consider that digital platform is coming in lieu of physical platform itself is a wrong notion.

Earlier the brick and mortar model catered to all the transactions because there was no other channel to fulfil them. Today, the fast-evolving technology is giving us an alternative channel to fulfil these transactions. We are not discouraging customers from walking into bank branches. We are proactively dissuading them from coming into the branch for a transaction which can be fulfilled through technology.

Digital banking is a way of life. In the pre-digital era, it was a standard practice to have customers coming to the branch for doing transactions. Today, that way of life has been enhanced, with digitization creating the capability to provide technology-enabled platforms for transactional ease and service excellence.

Service excellence continues to be the guiding principle for determining the relationship and sustainability between a customer and his bank. To provide that service excellence, we need to ensure that the Indian ethos, as well as the cultural milieu, has to be dovetailed with the strategies we put in place. Technology, cultural milieu and the Indian ethos have to be enmeshed while creating strategies that keep the customer at the fulcrum.

I don't see bank branches going anywhere in the foreseeable future at least not in our domestic market and our country. They are here to stay and we are absolutely positive about utilising our physical infrastructure for the betterment of the banking citizen. We are convinced that bank branches will continue to serve the specific purpose of fulfilling the financial objectives of our customers. Digital platforms will co-exist along with our set of branches.

As a bank, we cater to India and the upcountry locations which we call Bharat. We have over 45,00 branches across the country. 56-57 percent of them are in Bharat (upcountry locations) and the rest are in India (metros and big cities). Over the last 3-5 years, we have maintained a steady trot in terms of the number of branches that we have been opening.

Based on the domestic evolution patterns and consumer behaviour patterns we believe our physical and distribution footprint will continue to offer us huge opportunities.

Brett King, the founder of mobile banking app Moven, stated in particularly stark terms that the banking industry will experience more disruption in the next 10 years than in the previous 300 years. Bank tellers will be the telegraph operators of the 21st century. In the light of his statement, how do you view the bank branch model?

We must never overlook the element of culture in any industry. Culture is the operative phrase especially in a service industry and banking is an inalienable part of the service industry.

The cultural roots of any geography in the world continue to determine the consumer behaviour to a large extent. Sure, technology has enhanced the ability to do things faster, at your own pace and conveniently from a place of your choice but it can't change the cultural and behavioural pattern.

So King's statement cannot be juxtaposed into every geography of the world. He says it for a certain consumer behaviour and culture of the western world. But if view his statement through the lens of Indian culture then it may not make business sense.

In Indian cultural ethos, the branch manager of a bank continues to enjoy a high level of trust and social acceptance. Customers like to have conversations with him to put themselves at ease in terms of being able to make a decision. Arriving at a financial decision is still a journey that customers in our country want to do with the help of a branch manager. They like to speak to someone they can trust. This is not advisory. This is advice. And therefore our brick and motor infrastructures are evolving in that direction.

So, even if the branch model survives the digital juggernaut, what role do you see it playing the digital era?

The branch model will play a pivotal role in acquiring, retaining and serving customers across digital and physical channels. We will seamlessly blend the physical and virtual touchpoints needed to create a consistent omnichannel experience. And what better place to do that than within the branch?

We will use the branch to educate customers about our digital platforms and ensure that the customer evolves in his transaction ability.

We are moving from the product- based financial intermediation to a conversation- based financial intermediation. In line with this transition, our brick and mortar structures are getting

reengineered. Earlier if I had five teller counters in my branch, now only three will suffice. So the extra space in the branch premises will be reengineered for conversation-based engagement with customers.

The transactions are not going anywhere. It's just that the platform of the transaction has shifted from the branch to the so-called digital medium. The branch infrastructure continues to be used and positively engaged in conversation-based elements whereas the digital platform is engaged in the transaction-based elements.

How do you see the omnichannel strategy benefitting the bank and its customers?

The marriage of digital and physical channel ensures that more and more people come into the mainstream of financial empowerment.

We will use our branch model to educate and migrate certain transactions to the digital medium. Our staff will help customers download the apps and educate them on the usage. This will ensure that digital does not touch only the big cities but also seeps right through into the entire social strata.

We've taken some steps in this direction. While India is the second largest consumer market for smartphones, we realized that Bharat still relies upon the feature phone. So in order to bring the upcountry locations in the fold of financial intermediation we launched SMS banking and missed call banking. Both these capabilities give the outreach that we are looking for in terms of financial inclusion. These initiatives bring an 'aha' moment for the customer. This is how our omnichannel strategy aligns with the customer requirements. We are able to bring all of this together into a cogent channel of financial empowerment.

Through the mix of branch infrastructure and digital technology, we are creating financial inclusion, education, and empowerment. That is the most significant contribution any financial intermediary can make to its local ecosystem. And that is precisely why banks exist.