

BANKING & DEMONETISATION

Laugh Our Way to Banks



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Demonetisation may have caused pain to the aam aadmi and a handful of 'black-moneyed' folks. But with the cash-lite economy suddenly at hand, this could be a grand opportunity for banks to get intimate with their customers.

Banks have been losing their relevance in a world getting disrupted rapidly by non-banking companies. It is estimated that by 2020, non-banks could erode one-third of traditional bank revenues. Customers have been shoving aside banks for credit cards, PayPal, mobile and e-wallets.

Payments form one quarter of revenues of traditional banks, and this is where the biggest competition is seen today. PayPal is the No. 1 online payment method in many countries already. In India, non-banks like Airtel, Jio and India Post are fast grabbing major shares of the payment banking business.

Non-banks are also into core banking areas like savings accounts: Google Wallet with its debit cards, T-Mobile with its mobile checking services app and ATM card, and Wal-Mart-Amex prepaid cards. The competitive advantages for financial institutions are disappearing fast. If they do not disrupt themselves, they will end up as cash handling and storage institutions.

By simply being more digital, banks cannot shrug off competition. Closing branches, adding more ATMs, and mobile and web banking alone won't help. Demonetisation has probably opened a new avenue for banks to become more relevant to their customers with new financial technology (fintech).

With a cashless economy more inevitable, traditional banking services will be obsolete and people need not visit a bank branch any more for financial

transactions. For banks to remain profitable, a new model that focuses specifically on customer experience will be needed.

Demonetisation, or DeMo, queues may be temporary. But traditionally, the average banking customer spends quality time going to a branch, waiting in line, talking to a bored teller, accessing accounts, and walking out wondering if her time was better spent elsewhere. With the cashless economy, the government is trying to move her pains into gains in terms of time and convenience.

Till now, most banks were allergic to fintech. Historically, the personal aspects of interaction are a critical component of any customer experience. If we were to apply a SWOT (strengths, weaknesses, opportunities, threats) analysis, banks have a lot of human capital. Who better than an employee to provide expert advice? So, in their quest to going digital, here is an opportunity banks are missing till now.

Mobile apps make banking easy for financial transactions, such as direct deposits and loan repayments. Given the low penetration of even traditional banking in India, an app should also connect the customer with a bank employee 24x7 when required. From the government's perspective, making

banks do this hand-holding activity is necessary to see faster adaptation. For the banks, this is key to creating a great experience for the larger uninitiated customer base.

Why shouldn't a Jan Dhan account holder in a remote UP village talk to his bank's mobile app and check his balance, pay his utility bills and transfer funds to buy fertiliser? Artificial intelligence allows apps to capably handle natural language queries and connect a multitude of services. By having a bank employee converse with a customer via the app, banks will be combining high touch with hi-tech. This is one disruption non-banks cannot replicate.

Fintech allows a bank app to retain personal interests and transaction patterns to create a personalised digital experience. For example, given a customer's spending pattern, the bank app can offer personalised discounts on certain items or retail outlets instantaneously every month in partnership with the sellers.

It can also assist with managing the customer's finances in a simple way. And banks may reward spending by offering customers, say, tickets to their favourite movies. Such services could engage the customer in an exciting way combining finances with fun.

Another wonderful gain for banks and their customers will be with the use of fintech's machine learning aspect. This will aid banks to anticipate customer issues before they occur. They can then proactively suggest possible solutions. For instance, banks can anticipate the holiday needs of a customer and offer her special services, reduced transaction fees, etc. The app can connect them with online travel agencies for deals negotiated on behalf of a large customer base.

Banks should be eager to lead the change into the exciting cashless phase. Move over ATMs, cash management companies. The new normal is cashless ATMs and smartphone banks.



FILE PHOTO

Why can't we just rob banks online, boss?

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