

# Role of Physical Banking in Managing Customers – A Study

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**Abstract – Banking plays a vital role in the capital market and money market by transforming savings into investments and provides funds to various individual persons and Business firms to achieve their objectives or goals. Nowadays it is necessary to improve customer service due to competition in the Banking Industry. Banks are using technology to provide better service to customers.**

**The term Digitization refers to the process of Conversion of data into a digital format with the use of technology. Digitalization will help banks to provide better customer services. Digitalization provides convenience to customers and helps in saving time. Digitalization minimizes errors committed by human beings and thus increases customer reliability. Digitalization banking is the way through which customers engage with their resources or finances. Customers are using the internet and mobiles widely to operate the banking operations and other financial services. Banks have to think again to identify the new way to do business or to deliver better customer service to remain competitive.**

**In today's global world, a combination of physical and digital entities (Phygital) is necessary at different critical interaction points of customers to ensure a positive and effective customer journey. Banks that can craft the right blend that effectively touches customer operations, experience, and delivery are most likely to thrive in a fast-changing world.**

**Keywords: Banking, Customer service, Digitalization, Internet banking and Mobile banking and Phygital**

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## INTRODUCTION

In Modern days, a mix of physical and digital entities is the most critical interaction points are necessary for managing customers effectively and efficiently. Banks must create a right combination of both physical and digital entities for better customer operations; experience and delivery are most likely to factor in a fast-changing world.

## OBJECTIVES OF THE STUDY:

The following are the main objectives of the study:

1. To analyze the issues and challenges associated with digital banking.
2. To identify the importance of transformation from digital banking to physical banking.
3. To study the current applications of physical banking.

## STATEMENT OF THE PROBLEM:

Digital banking Concept and applications have been accepted worldwide. Though there are major advantages resulted from digital banking, Despite the advantages of digital banking the concept of personalized experience in banking is still preferable by the customers of the bank. Hence a transformational perspective from digital banking to phygital banking involves both personalized and technology experience is to be analyzed.

## RESEARCH METHODOLOGY:

The concept of phygital banking is in the phase of an emerging. Hence a small study of research on the various concepts of phygital banking and digital banking has been conducted. The concepts are represented to analyze and understand the transformational phase of digital banking to phygital banking. The study is based on secondary data. The data or information is obtained from the various relevant websites relating to the concept of phygital banking.

The term "Digital banking" can be defined as "extending the transactional facility to customers by

banks through various secured digital channels by taking care of data security, related risk mitigation and regulatory aspects by banks themselves". This is achieved by integrating mobile banking and online (internet) services by the adoption of modern digital technologies like innovative payment channels, analytics, online and mobile technology to meet customer convenience, expectation and experience most effectively.

The term Phygital Banking refers to being inherently utilization of physical and digital channels in the operations of banks for organizing and managing their business.

## FEATURES OR CHARACTERISTICS OF PHYGITAL BANKING:

- i. **Phygital Banking includes the interaction of customers physically and digitally in the dual form:** Initially, 'Phygital' bank interacts with their customers digitally across both Physical and Online channels. All interactions are powered by Digital to have intelligent context-aware conversations with the customer as a bank. Phygital Bank of today, embeds Artificial Intelligence (AI) powered robots and intuitive User Interface (UI) to break the language, cognitive and literacy barriers or obstacles to increase end-to-end seamless interactions with customers.
- ii. **Most of the Banking operations are digitalized:** Later, it is found in phygital banking most of the banking operations are done with the help of Digital Technologies. For example, before residence verification is conducted – the bank relies on digital sources like Aadhar, CIBIL, etc. Similarly, before mailing the physical documents there is the usage of scanned images. Wherever possible digital APIs are used to eliminate the need for the physical documents. Similarly, use of Robotic Process Automation for repeatable tasks, Internet of Things (IoT) in hypothecated assets, drones for verification in insurance etc. help in significantly reducing costs and simultaneously creating experiences that command a disproportionate market share.
- iii. **The organization is inherently digital:** Finally, a Phygital Bank is inherently digital organization. Everything in the organization including its leadership, culture, the way organization collaborates to deliver its services and how skills are leveraged, acquired or developed is attuned to the digital era. It is inherently agile and leverages digital tools like living dashboards, algorithms, social and crowd to multiply productivity.

## NEED AND ADVANTAGES OF PHYGITAL BANKING:

The shelf life of physical banks has reduced over the past few years. Recently, Jio's internet explosion in India marked the watershed moment which initiated the radical shift of things from physical to digital. Increasing numbers of Fintech apps and neo-banks have more or less replaced traditional banking, at least in urban India, leading to the closing down of many physical banks.

The result of this rapid transformation in banking retail practices is a new concept- one that combines the advantages of digitization with the comfort of a brick and mortar bank - Phygital Banking is making inroads to take banking operations into the new decade. Phygital is the portmanteau of physical and digital. Phygital banking emphasizes on being inherently digital in both physical and digital channels backed by humans.

The advantage of Phygital is that it still allows traditional visits to a bank office for those who cannot keep up with the rapid digitization in banking operations, and thus banks can ensure the trust and comfort that eventually leads to customer satisfaction. The digital aspect is that these physical banks also grant enhancement of the customer experience with advanced technologies expediting the banking processes for customers and ensure an enjoyable atmosphere during their visit to banks.

Phygital puts forth a hybrid experience where physical and digital combine to connect emotionally with customers. For example, customers of the Bank of America who need financial advice or banking guidance are arranged video conferencing with bank officials in the situations of their inability to come over directly but still needed a trusted and reliable conversation. Capital One bank created cool cafes and appealing meeting rooms to casually discuss the financial stuff. This is the big picture of Phygital Banking!

Telescoping into the future, Phygital Banking will be the most acceptable and safe banking activity for a large number of customers since it gives space to both the comfort factor and efficient digital banking practices. Relying on the extremism of one concept is of no use but the amalgamation of both will help us move onward. The need of the hour is the transformation of physical banks into Phygital ones to establish humanized digital experiences!

## TRANSFORMATION OF DIGITAL BANKING TO PHYGITAL BANKING:

Digital is springing high but it doesn't mean that physical banking will not be in the state of need. The first step of Phygital banking is that all brick and mortar banks should opt for digital banking with the implementation of cutting-edge technologies for its

operations. Incorporating Artificial Intelligence, Distributed Ledger Technology (DLT), open banking, ensuring cybersecurity and enhancing the digital experience of the customers will transform a conventional bank into a digital one. The addition of human interaction to this digital transformation is what takes banking to a whole new level i.e., phygital banking.

### IMPORTANCE OF PHYSICAL BANKING ENGAGING:

Over the past few years, the growth rate for brick-and-mortar branches has declined in India. Cost pressures and operational efficiency priorities have spurred banks to optimize their branches.

a. **Branches Retain a Critical Role for Customers:** Although some bank branches are closing, others continue to play an important role. In India, physical bank branches dominate banking channels, with 94% of retail banking customers have visited a branch at least once in the past 12 months. Only 51% of retail banking customers have a reliable online banking experience with their primary financial institution, and only 9% use mobile banking for everyday transactions. The scenarios in which customers visit branches can be classified into two categories:

b. **MUST Visit Scenarios:** This category includes situations where customers and potential customers must visit the branch. Most retail customers' cash deposits still take place at the branch, until banks provide facilities of ATM deposits. Most regional banks do not offer a decent digital customer acquisition mechanism, so customers have no alternative but to visit a branch. Some miscellaneous services such as safe deposit boxes and coin deposit processing still require a bank branch visit. These interactions provide an opportunity for banking staff to interact and engage with clients thereby building better customer relationships.

c. **PREFER to Visit Scenarios:** This category includes transactions that customers prefer to handle in person. For some services, customers want to talk to a person and gain advice. In-person engagement at the branch is both an expectation for many customers as well as a real opportunity for the bank. These engagements are critical for corporates or business clients and are different from those of retail consumers because they often require the support of a human agent. Data from a global banking executives survey shows that physical

branches still play an essential role. A full 88% of respondents said physical branches add value to customers and will play a role in the future of banking. Moreover, 63% said they are planning to change their branch model in line with digital transformation. In this digital world, present-day customers can be segmented into different groups based on their tech-savviness

### APPLICATION OF PHYGITAL BANKING (CASES):

- **Kotak Mahindra Bank:** Kotak Mahindra Bank's digital branch offers a seamless, paperless, secure, and smart banking experience through customer self-service and assisted-service models. The digital branch includes an e-lobby that offers 24x7 access to cash withdrawals and deposits, as well as check deposit machines. The quick-service touch-kiosk makes banking easy, effortless, and quick and also offers extended banking hours for basic services. Every Kotak digital branch features a dedicated lounge for customers to discuss their portfolios and investments. Banks are investing in technologies – such as artificial intelligence – that is data intensive, systematic, and critical to profitability, customer experience, productivity, and compliance.

- **State Bank of India (SBI):** State Bank of India has set up 257 digital sbi INTOUCH branches aiming to offer advanced banking services such as instant loan approvals and assistance in choosing investment portfolios. These branches provide customers with an audio-visual experience with the added ability to print, scan, and share documents using touch screen controls. The solution helps SBI speed up transactional related activities by digitization and transform its communication model or human interactions for better customer loyalty, which will further help SBI improve cross-sales and up-selling.

- **Canara Bank:** Canara Bank is moving to paperless futuristic banking via, CANDI, its digital banking branch that offers customers an end-to-end digital experience. CANDI's humanoid robot answers basic customer questions about products and services. Moreover, the branch uses tools such as an onboarding application that allows customers to open a savings account immediately via fingerprint/ IRIS authentication. Customers may also take advantage of video banking to interact with remote-site subject matter experts about

topics such as retail loans or corporate advances.

## CONCLUSION:

Most of the Indian Banks are investing a large number of funds to introduce the concept of digitalization, emerging technologies and Data utilization techniques to obtain good results in modern days. Nowadays it is identified demand for digital banking is increasing on other a segment of customers continues to prefer branches and human interaction over technology. Most of the investors use digital channels for routine activities such as fund transfer, Depositing etc., and prefer human interactions for some specific banking tasks or services such as Housing Loan, Educational Loan, Business Loan and Mortgages etc., While transaction values are higher for branches and digital transaction volume is higher than that of branches, in most cases, especially for corporate transactions. To build credibility, loyalty and trust, with customers, human interactions and advice are necessary cannot be ignored.

Hence, a better model is required – one that provides the best of both worlds by combining digital services with physical interaction. By realizing the opportunity, some banks nowadays offer phygital services by transforming their branches and humanizing digital experiences. As the banking industry continues with head down the open banking path, established firms can partner with Fin-Techs and third parties to provide innovative phygital services. Through which banks give more priority to customer experience and provide service that will suitable the needs and preferences of customers.

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