PHOTOS: SANJAY BORADE

Towards open banking

Rath: new age banking

SBM Bank and PayNearby offer seamless banking and financial solutions to the masses

In the first week of January, SBM Bank (India) --the first bank to receive banking licence in India through wholly-owned subsidiary route, has tied up with PayNearby, India's hyper-local fin-tech start-up. The two firms have signed a Memorandum of Understanding (MoU) to build an 'open banking' network towards delivering basic banking solutions, as well as advanced financial services, to their customers. This partnership has stemmed from the collaborative strategy being employed by SBM Bank (India) to get a foothold in the ultra-competitive Indian banking sector. Since then, the bank has also collaborated with fin-tech players such as Karbon and Enkash, to further foray into niche product segment such as corporate credit cards.

"At SBM Bank, banking has become an on-demand experience for the new age customers," explains Sidharth Rath, MD & CEO, SBM Bank (India). "Branch locations, banking hours or normal waiting time – these concepts are fast eroding. We are progressing towards positioning banking as a plug-and-play system – where customised solutions can be offered to diverse platforms seamlessly. We have six branches a present and will steadily increase the count. In the initial days, our focus will be on laying a strong foundation and putting in place the right building blocks."

Having started with an initial paid-up capital of Rs500 crore, the bank is pitching on a technology-fuelled reach to compensate for the size. "Our intent is not to build a large balance sheet with Rs500 crore capital – but to establish ourselves as a bank that offers customised solutions to customers. Being a small bank, SBM is agile and has the ability to test newer ways of servicing the clients more frequently. Our size gives us the comfort to fare faster and better – thereby using these initial years to focus on areas left unaddressed by the traditional or large-sized banks", adds Rath.

New tie-ups

SBM Bank is looking at long-term collaborations with fin-tech and NBFCs to provide value-added products demanded by its customers, which demand full-circle banking presence. "We are building a new-age banking experience and are on empowering and partnering with best-in-class players, who can help us solve key challenges, in our pursuit to take a superior banking experience across key markets," says Neeraj Sinha, head, consumer & retail banking, SBM Bank (India). "Through each of the partnerships, we are solving problems often ignored by the traditional banking apparatus. For instance, while our tie-up with PayNearby enables us to transform each of their partners to mini banks; our foray into the corporate credit card space through Karbon and Enkash are enabling us to make credit cards accessible to millions of start-ups, SMBs and MSMEs, without compromising our asset quality. We are also getting strong traction owing to our remittance solutions and LRS (liberalised remittance scheme) account offerings from a couple of NBFCs we will soon be partnering with," adds Sinha

SBM Bank is the first banking institution to have been granted a licence by the Reserve Bank of India in December 2018 – to operate as a scheduled commercial bank in India, offering universal banking services through the wholly-owned subsidiary route. SBM Bank India is a step-down subsidiary of SBM holdings Ltd (the erstwhile State bank of Mauritius), a listed entity in the Mauritius Stock exchange and promoted by the government of Mauritius. The parent – SBM group – commands a presence in Mauritius, East Africa, India, Madagascar and Seychelles and has aspirations to become a regional player across the Indian Ocean Bay. SBM Bank (India) today has a network of six branches – Mumbai, Delhi, Chennai, Bengaluru, Hyderabad and Ramachandrapuram. The bank plans to double its network by setting up two new branches by the end of March 2020. It also has plans to increase the tally of branches to about 16 in the next two years.

SBM Bank (India) has adopted collaborative banking as its strategy not only externally, but internally too. The bank's corporate and retail heads share the same cabin – leading to sustained cross-sell opportunities. "One of the biggest deterrence in collaborative banking is the lack of trust large banks often face from fintech and start-ups. When a larger and a smaller player partner, it is often seen that the smaller player's (fin-tech) customer base often switches over to the larger player's. This is one of the biggest apprehensions we had to quell to make this strategy work well," informs Sinha.

"The bank is firming up with its plans to enter retail, mid-market segment, comprising HNIs (high net worth individuals), mid-corporates, higher-end SMEs (small & medium enterprises), trade finance, capital markets, wealth management and remittances through collaborative tie-ups," says Dipak Agarwal, head, corporate banking, SBM Bank (India).

"We think there are a lot of opportunities available in payments space or cash management or term financing," adds Agarwal. "Similarly, in the case of cross-border transactions, there are a lot of opportunities available in handling remittances more efficiently by using our global lineage and network. Initially, our focus will be on the

Sinha, Panikath and Agarwal: bridging the digital gap

mid-markets where we see an opportunity that creates employment and also adds value to the economy. This is the segment where we think -- in terms of our exposure vis-a-vis large corporate -- could diversify and mitigate risk. We are looking at for financing or offer trade solutions, both cross-border as well as domestic supply chain finance. Also, this is one area, especially domestically, where technology is playing a pivotal role in managing the supply chain efficiently".

Parent's foot-steps

"Now, having set up a local banking company, which is specialising in universal banking, the promoters also want to organise a domestic banking franchise and, in the long run, set up an institution in India," says Rath, expecting to fare as good as State bank of India, HDFC Bank or ICICI Bank.

"We are classified under the foreign promoter category, as of now," acknowledges Rath. "As we go about setting up this banking franchise, the intent is clear – we plan to make ours a liability-led franchise, which means that we will need to build up a robust liability franchise, which is diversified and granular. It's not a franchise where the asset or the book leads and the liability follows it. Our intent is basically to see how we build up a robust, diversified liability franchise," adds Rath.

Clearly, the management wants to see how the deposit network can be built directly and also how one assesses the wholesale liability through term-deposits, bank lines, commercial borrowing programmes and other available options. "Initially, it's going towards laying a strong foundation and putting in place the right building blocks," says Rajeev Panikath, COO, SBM Bank, strategising the opportunity for a new bank in the system, with so many other banks around. "We feel such an opportunity exists because this gives us a chance to build up a bank with a technology architecture that is new and carry our alliance partners along with us".

"Last year, our main achievement has been launching products – such as internet banking and debit cards and opening new branches," says Rath. "Today, our balance sheet size is close to Rs2,000 crore, and I feel the momentum is gradually picking up. That's what we are currently aiming at".

Open to acquisitions

Rath is cautiously optimistic while talking about inorganic growth. "Nothing will stop us from looking at inorganic growth in the future," he explains. "Right now, we haven't thought about it. It all depends on what kind of bandwidth we have; it is not easy to integrate operations in the banking industry – as evident with the recent PSU merger and the challenges that await the execution. At present, we want to stay focussed on doing things in a particular way, which involves efficiency, being nimble, agile, being capital-light and more collaborative," concludes Rath.

◆ LANCELOT JOSEPH
lancelot.joseph@businessindiagroup.com