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Future of BFSI: Through CEOs' Lenses

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Be it borrowing, lending, buying insurance, or opening a bank account. Digitalization has disrupted the every facet of the BFSI sector. Everything is now just a click away. To get to the next level every bank and financial institution is betting high on digital transformation and partnering with FinTechs to improve the customer experience. In this situation the obvious question is, how do the CEOs of BFSI companies see the future? At the launch of ETBFSI.com, (Only news portal dedicated to BFSI and FinTech) top CEOs shared their perspective on how do they see the future?

"Fintechs are disrupting the way banking has been done. It is all about banks being agile and innovative to address customer needs. Today, the first thing customers seek is instant gratification. They want their banking services to get over in 2-3 clicks, for which banks need to re-imagine customer behavior and experience. Customers are not seeking the general suite of banking services; hyper personalization is the way forward and customers are seeking customized products and services" said, Zarin Daruwala, Chief Executive Officer, Standard Chartered Bank, India.

Being a global bank, Standard chartered has access to all the user-cases while going digital. Recently, they launched a campaign to depict the use of digital capabilities suite of products to energize the brand among young Indian millennial audiences, for which they roped in Anushka Sharma as a brand ambassador.

For banks to stay relevant, agility in technology development is required. At Standard Chartered Bank, the technology team and people in the bank who are facing the customer get together in a room and at every stage of the development the teams are involved in giving inputs, added Daruwala.

Though banks are much ahead, Insurance industry is not far behind in adopting technology. But, the biggest challenge for them is to increase the penetration to see the next phase of growth. It could be either by partnering with InsurTechs or building a business model which isn't a part of their legacy structure.

"Legacy companies are looking to adopt tech to simplify their solutions or understand customers better and generate insights. But it's interesting to note that at the scale which disruptions are happening it will create new business models" said Tapan Singhel, MD & CEO at Bajaj Allianz General Insurance. Citing the example of Tesla, he added, electric vehicles by Tesla do not require maintenance, so why will we have dealerships? Why will one require insurance when they have so many anti-collision technology embedded in it?

Bajaj Allianz has already taken long strides in the digital space. To serve customers better with flawless service, Bajaj Allianz has launched an AI driven Chatbot called "BOING" which offers 24*7 assistance to customers. The same chatbot has been integrated with Google Assistant & Alexa. With Motor On the spot (OTS) initiative the claim settlement period for motor insurance takes as less as 20-30 minutes ruling out any human intervention. Customers can file claim with clicking pictures of damaged vehicle through insurance wallet app with feeding relevant policy and bank details which enables the company to settle claims in minutes.

“Business models transform at a tipping point of scale, which is often missed out by legacy companies and that’s how they are killed. My whole business will disappear in 4 years-time for models which run on scale at a low cost and solve customer problems en masse,” added Singhel on speaking about the future of Insurance sector.

While banking and insurance have their take, NBFC is the most lucrative space. Every FinTech wants to get into lending space and every NBFC wants to increase its loan book. In the last few years, industry has witnessed the rise of new age lenders using alternate data points like behavioral analytics, transaction data, etc. for decision making to disburse loans. P2P-NBFCs have spiraled up and are filling the vacuum created by banks and lending to the segment which didn’t have easy access to formal credit. Traditional NBFCs are leaving no stone unturned to miss out on this digital wave, they are partnering with FinTechs for better decision making.

Rajiv Sabharwal, MD & CEO, Tata Capital said, “Partnership with FinTechs is a mutually beneficial relationship. FinTechs are good at innovation and developing models for customer experience but they are short of customers and products. That’s where we are seeing lot of marriage between Banks/NBFCs and FinTechs. A lot of FinTechs are moving into lending space, because probably they want to own the end-to-end customer experience.”

On the maturity of lending ecosystem, Sabharwal added, “In the lending space it is not prudent to make short-term judgment, if you originate a portfolio you have to let it mature and see how it performs once it matures. If you’re in a short-term product like unsecured personal loans, in 2-3 years you will come to know how good your performance is and if you’re in the business of mortgage you can see the performance in 3-4 years. So one has to let the portfolios mature and see the business cycles.”

Though the traditional financial institutions are trying hard to be in the digital race, the innovation is more and most advance at the payments bank.

Payments Bank, a key player in the BFSI ecosystem in India had the advantage of not having legacy systems though burdened with regulatory compliances and norms; they’ve leveraged the IndiaStack & NPCI platforms.

Rishi Gupta, MD & CEO, Fino Payments Bank said, “The way the banking ecosystem is evolving, we are looking at technology from the point of view of the next billion population in the country. Digital is going to become main stream in banking in urban and rural India. Digital assisted model where assistance & handholding in first few months in rural segment will be required and from there the digital dynamics of transaction volumes, velocity and cross-sell and up-sell of financial services will scale up, Digital adoption in BFSI is a long term journey.”

When the FinTech wave began in 2011, the question was whether FinTechs will kill the legacy banks and financial institutions with their agile technology and innovation. But the industry realized that agile technology and innovation with superior customer experience will keep financial institutions and FinTechs relevant in the long run and they shifted its focus to partnering, integrating and collaborating with each other. FinTechs hopping from payments to lending to fill gaps with B2B solutions, and recent regulatory sandbox (draft) policy by RBI allows them innovate further.