

DIGITAL BANKING SUMMIT

BANKING INDUSTRY PARADIGM SHIFT - DIGITIZATION & DISRUPTION



Release of report on 'Transforming the Customer Experience' - L-R: Mr. Ajay Kumar, Regional Managing Director - Asia Pacific, Customer Experience & Payments Solutions, Entrust Datacard; Mr. Ganesh Kumar, Chief General Manager in-charge - Department of Information Technology, Reserve Bank of India; Mr. Kaushal Sampat, President & Managing Director - India, Dun & Bradstreet; Mr. M. Narendran, Former Chairman & Managing Director, Indian Overseas Bank; Mr. Angus McDougall, Regional Vice President - Asia Pacific & Japan, Entrust Datacard.

Demonetisation – the current jolt in India is a positive long term move, unfortunately, with some adverse short term ramifications for the Indian economy, businesses and consumers. In the midst of this massive move against India's huge parallel economy and the panic that ensued, banks have witnessed the maximum amount of action and have commendably risen to the occasion. Banks, even retired ones, have been working tirelessly round the clock to ensure that liquidity is provided at all costs to the system.

This is a challenging yet exciting time for the banking industry. The sector has seen massive changes over the last decade. We have come a long way from our traditional banking systems to create modern banks and, without any second thought, a digital future beckons. While the RBI has created a strong enabling framework and the Government has provided its support, the transformation that we are witnessing in the banking sector has been possible only because of the untiring efforts of the banks. The most exciting part of this transformation is that it is taking place in many areas – Financial inclusion, FinTech, Differentiated Banking, Re-capitalization, Consolidation etc. The wave of innovation sweeping through the world of financial technology is nothing short of a revolution.

"We are in an age where we do not use technology, we live technology. The emergence of the digital live forces – Social, Mobile, Analytics, Cloud and the Internet of Things (IoT) - is creating new and valuable sources of business information, ways to interpret data and the means to do so cost-effectively."

— **MR. KAUSHAL SAMPAT**
President & Managing Director - India, Dun & Bradstreet

Investment in FinTech has soared from US\$ 1.8 billion in 2010 to US\$ 19 billion in 2015. It is exciting to see how the banking sector has been quick to acknowledge this revolution and is devising strategies and initiatives to embrace the FinTech movement. This is because today's retail consumers – especially Millennials & Generation Z who make up the lion's share of India's population - are increasingly demanding and expect banking transactions to be seamless, reliable, cheap and be completed in seconds.

Given this framework, Dun & Bradstreet and Entrust Datacard organized the 3rd Digital Banking Summit, last week in Mumbai. The conference brought senior dignitaries from banks, regulators, technology service providers and consultants, under one-roof, to discuss about banking in testing times. The Summit saw deliberations on the current challenges unsettling bankers along with the opportunities it presents & possible solutions to enhance customer experience and stay ahead of the competition curve.

Setting the context in his welcome address, Mr. Kaushal Sampat, President & Managing Director – India, Dun & Bradstreet, began his speech stating, "More than 90% of the total settlement volumes are done electronically (as against just 33% in FY09)". He further quoted, "Eric Schmidt, executive chairman of Google, had famously said that 'Everything significant we are working on is around mobile'. This statement rings perfectly true for the banking industry. The desire for mobile-led banking solutions is already paving a critical role in vital aspects of everyday consumer life. As a result, there is increased attention being focused on mobile financial solutions that can be used by consumers whenever they want and wherever they are."

"As more people migrate from banks to mobile and online channels, banks will be forced to rethink the size, number and locations of bank branches and look for more efficient, cheaper ways to conduct business. An agile bank can bring an outside-in perspective by analysing

"In an era of instant gratification banks are under huge pressure to provide innovative banking solutions, with increased focus on personalized debit and credit cards. It is critical for banks to implement a business model that differentiates them from competition and delights its customers, and one way of doing this is through an in-branch or a self-service instant card issuance solution that is easy to implement, manage and maintain. The bank of the future will implement this technology to facilitate customer satisfaction."

— **MR. AJAY KUMAR**
Regional Managing Director - Asia Pacific, Customer Experience & Payments Solutions, Entrust Datacard

customer behaviour, offering customised products and deliver personalised services. For doing this, analytics is going to play a critical role. Combining this granular analysis with an Omni-Channel strategy, banks gain a unique advantage that single channel financial service providers cannot deliver", he concluded.

The next speaker in the opening session, Mr. Ajay Kumar, Regional Managing Director – Asia Pacific, Customer Experience & Payments Solutions, Entrust Datacard, said, "According to a research report from Euronormer International, annual debit card payments have continued to increase by double-digits in India, which will continue to be a debit card market, which will now be 90% credit card within the overall card portfolio. This growth indicates a dramatic decline in the use of cash and cheques as consumers embrace more card-based payment methods for online and POS transactions. In order to decrease the cash transactions in the country, the Government and the Reserve Bank of India are pushing for the growth and acceptance of electronic transactions, which will help drive the growth of debit cards in India over the foreseeable period of time. Also, the recent development of demonetization of high value notes in India would certainly propel card and digital transactions."

Further, he mentioned, "Many financial organizations are transitioning to an 'Omni-Channel' strategy, which incorporates instant issuance as a complement to their traditional, centralized card issuance model. They can simply integrate instant issuance into their existing infrastructure to launch digitization of services without making a large investment of money or resources. By offering this model and giving consumers options such as instant issuance, financial institutions have a great opportunity to transform the branch into a service-driven place that can really impress customers, resulting in customer loyalty, operational efficiency & profitability for banks."

The opening session was followed by an intriguing panel discussion on cutting edge technological advancements like Artificial Intelligence (AI), Internet of Things (IoT) & Blockchain. The panelists shared their thoughts on how these new

technological advancements will lead the next wave in banking services to create, build & maintain a truly digital bank of the future. The discussion was moderated by Mr. Yash Erande, Partner & Director, BCG.

Today, the bar for banking innovation has been raised higher, thanks to the new possibilities presented by some new and evolutionary technologies such as AI, Blockchain and IoT. As everything from automobiles to refrigerators to kitchen containers become connected and smarter, banks would need to devise a digitization strategy to scale their offerings to meet the consumer demand of the IoT era. Banks need to ensure that they have the analytics infrastructure in place to take this huge deluge of data and turn it into hyper-personalized customer experiences. The enormous volume of data generated by the users has also led to a current boom in Artificial Intelligence (AI). Suddenly, banks can work with a decade's history of every single transaction of the millions of transactions that take place every day, and this information can power an algorithm which in turn drives decision making across the bank.

The first speaker in this panel, Mr. Abhay Johney, Head – Digital & Consumer Banking, IDFC Bank Ltd., touched upon how these three technologies- AI, IoT & Blockchain, together are building an infrastructure for a different world. He mentioned that, "Blockchain is the harbinger of the 3rd passing of the web i.e. web 3.0 and things will be more transparent, more decentralized, and will lead to smart contracts, having a huge implication on banking transactions." Adding further, he stated, "There are three types of bank – analog bank, which has feet on street, branches, ATMs; digital bank which has IMPS, RTGS, browser, app; the third bank that is emerging & these 3 technologies are accelerating it – is Bank As A Platform (BAAAP), where bank lend their risk management & balance sheet & the fin-tech partner or other collaborators actually attract customers, they use venture capital money to experiment & test scale."

The next speaker, Mr. Deepak Sharma, Chief Digital Officer, Kotak Mahindra Bank Ltd., spoke about the business rationale for banks & other financial institutions, to adopt these technologies. Speaking about Artificial Intelligence in the context of banking, he mentioned that, "It will help banks interact with the products, brands, experiences, and it will power lot of information, that customers are leaving behind while communicating with a brand or a product, and make banks more aware about its customers, in areas like credit risk, underwriting, behavior, etc." He added, "There is a value realization already happening around AI, in terms of robotic process automation, conversational banking, etc. These technologies are not about replacing humans with bots, underwriters with algos, LC issuers with Blockchain, bitcoins & tokens, they are more about making the existing setup more efficient. Also, by bringing in robotic process automation, a lot of layers in operations & transactions can be eliminated, the processing or transaction time can be brought down drastically, and the existing human resources can be redeployed for more intelligent work."

Mr. Sidhar Jey, Head – Customer Franchise, Innovation & Digital Banking, Citibank India, was the next speaker. Referring to the panel topic, he mentioned, "These technologies have substantial advantages, like increasing revenue, increasing number of customers, cutting costs, automating processes, instant gratification, customer WOW, etc." He also said, "the best way to engage with the ecosystem, is to get your various partners, aligned with this, and working

with fin-tech can't be looked as competition, as fin-tech has advantages like being very nimble, having access to cutting edge technology and low costs, and banks have advantages like big brand based on trust, experience of customer underwriting for many years, and an understanding of how to deal with regulators. For Blockchain to take off, it needs collaboration with the banking industry, industry bodies, government and regulators."

The next speaker, Mr. Rajesh Mirjanekar, Managing Director & CEO, Infosoft Technologies Ltd., mentioned that, "This is the first time that technology is ahead of the banking itself, where in the past the banking industry had offerings in mind, basis which technologists developed platforms. Blockchain brings possibilities to extend beyond bank-led KYC, and is an important part which will hold on to the adoption of Blockchain in a big way. The trend that will catch on is going to be API based banking, with the backend being led with a strong capability model by AI. Omni-channel will enable the rendering of API based banking that will help banks extend non-traditional partnerships to drive their outreach." Adding further, "Blockchain adoption is imminent but will need banks to work in a wider partnership to encourage a viable model for Forex & Trade Finance and the regulatory framework for this needs to evolve", he concluded.

"Imagination is boundless and opportunities, infinite, at IDFC Bank. Everything at the 'Bank of Now' is being wired or connected wirelessly – an architecture, energy efficient sensing, secure networks, quality of service, new protocols, participatory sensing, data mining, GIS based visualization & cloud computing. As for customer experience – Banking friction will not be fiction!"

— **MR. ABHAY JOHNEY**
Head - Digital & Consumer Banking, IDFC Bank Ltd.

This panel shed light on how these technologies (AI, IoT & Blockchain) are set to collectively transform the banking industry and also focussed on what a bank of the future needs to do, in order to be successful in today's complex & dynamic banking landscape.

The next panel was focussed on Omni-Channel, Branch Transformation, Digital Trust & Big Data Analytics. The panelists discussed & deliberated on possible strategies to augment customer experience and lead in an era of cognitive banking. The discussion was moderated by Mr. Aditya Rath, Partner, Lead – Digital Customer, Digital Consulting Services, KPMG India. Setting the tone for this panel, Mr. Rath applauded the bankers for all the work they have been doing for the past two weeks since the announcement of high value currency demonetization and how the banking industry is dealing with it. He said, "We as consumers or organizations are going through a series of transformational changes and are evaluating

"Clearly the next wave in banking technology will be driven by Artificial Intelligence and Omnichannel. Having been specialist financial software providers on Core Banking, Payments and Compliance, we are excited by the opportunity to provide Bots to banks where we could automate their operations that are based on the utility of huge variety and volume of data that could be transformed by Big Data, Machine Learning and Artificial Intelligence. These Bots would be on Credit Management, Compliance & Fraud Management, Customer Experience and Advisory functions of banks."

— **MR. RAJESH MIRJANEKAR**
Managing Director & CEO, Infosoft Technologies Ltd.

ating the experience, bank is delivering to us." Adding further, he stated, "Banks today should understand the behaviour pattern of consumers. The whole concept of customer experience is happening because of one fundamental change in the ecosystem, that is – the customer getting more & more empowered."

Mr. Rishi Gupta, MD & CEO, FINEO PayTech Ltd., mentioned, "This is a perfect topic, as on today, because of demon-

etization. As we look at the new guidelines from the central bank, RBI and the respective ministry, we will see more and more emphasis on digitization." He also expressed, "Consumers these days have a choice to go to any bank and with multiple options, they start evaluating these options and from a bank's perspective, presence through multiple channels is a must." Adding further, "The younger generation will be the early adopters of digitization in rural areas. The consumer at the end of this monetization will benefit and consumer experience will get better over a period of time", he concluded.

"Blockchain, IoT and AI are technologies that have the potential to truly disrupt and transform several aspects of financial services by offering benefits of speed, transparency and lower costs. However, in order for the technologies to gain greater adoption, several key issues including Financial Regulation, Data Privacy & Confidentiality and Interoperability need to be addressed. And this may take time."

— **MR. SRIDHAR YER**
Head - Customer Franchise, Innovation & Digital Banking, Citibank India

The next speaker Mr. S. K. Mishra, Former Director & Managing Director & CIO, State Bank of India, in his speech said, "Branches will continue to stay, as some segment of the population prefer to go to bank branches. When they did an analysis, on the then customer base of SBI (State Bank of India), they found out that they had more than 280m customers. 65% of population of India was below 35 years of age but data analytics indicated that the customer profile they had in SBI was just the opposite, which meant that youngsters in India did not prefer SBI. They preferred the new generation private sector banks. So, as a result of this analysis, they decided to create a branch of the future- SBI-INTOUCH, which means getting in touch with younger customers." Proceeding further, he said, "The Indian population is going to be 1.47bn in 2024 and internet penetration is estimated to be as high as 51%. In 2024, 15% of population is going to be between 15 - 59 yrs. So, that's the consumer-base which they are looking at." He concluded, "The key differentiator of the SBI-INTOUCH is the instant account opening and personalized debit card issuance."

The next speaker, Dr. R. K. Singh, General Manager, Stand Up India, SIDBI, said, "SIDBI has worked on a digital solution to reach out to the entire banking domain. They have launched a portal, standupm.in, in which all the Scheduled & Commercial banks are linked and active. On the entrepreneurial side, they have launched anywhere, anytime banking." Dr. Singh also spoke about the e-market place where around 1.08 lakh bank branches are active on the portal. If a case is rejected by one bank then it is being picked up by two other banks, thereby empowering the customer. Around 2.5 lakh new enterprises are boarding the portal and according to him, "SIDBI has more than 15000 registrations and 650 online sanctions are being witnessed", he concluded.

The next panelist Mr. Ajay Kumar from Entrust Datacard spoke about omni-channel; he emphasized on two important words: 'Seamless' and 'Frictionless.' This is the true meaning of omni-channel", he emphasized. He further said, "When Apple was launched, they assumed that most of the transactions will be done on Apple, however 90% of transactions happened on Apple Watch, as the Apple Watch was a frictionless experience for the customer." Another important aspect he touched upon is, brand transformation and how customers today just walk into a branch and are able to open up a new account and instantly walk out with a card. "So, Omni-Channel and Bank Transformation are two important aspects", he concluded.

The next speaker, Mr. Rana Vikram Anand, Head – Segments & Products, Branch & Business Banking, RBL Bank Ltd., said, "The word used to be a term 'Customer' and that has changed to 'Customer Experience' and this is one thing which gives many of us sleepless

thoughts. It's a transformed society today, and whether it is e-commerce or FinTech companies, when you try and understand what has been the real reason for transformation, it boils down to two letters: CX – Customer experience." Adding further, he voiced, "With a banking experience of 24 years, I have not experienced as much change as I have in the last 2 years. There is a reason as to why enterprises or companies are in existence, and the reason is 'Profit'. To make profits every enterprise will try and get more customers and more from each customer. However, last 2 years has changed the way how enterprise should look at profit. It has changed to more customers and more for each customer. Because, when you have more for each customer, it keeps your customer more engaged, this in turn will give more business & value."

The task at hand is certainly not easy. The digital shift is also a cultural shift, with new skills required to meet new 'digitally aware' customers. And finally, demonetization, as stated earlier, is certainly a bold move towards a cashless economy. Banks, like never before, are in a state of high alert - not only because of the threat of a redistribution of profit margins, but also out of the knowledge that, in a fast-moving digital world, they could fall irreversibly behind if they fail to respond quickly with competitive products & services. The challenge now is for the incumbents to show that they are fully capable of developing solutions to meet the needs of tomorrow's consumers. They need to do this by looking both inward and outward, and seize new opportunities using technology and innovation. The Summit concluded on a profound note – the future of banking lies in being truly digital. ■

SPEAKER BYTES

"The recent demonetization will give a boost to Digital Banking in India and move the ecosystem towards a cashless society. The Government may consider incentivizing electronic transactions by absorbing the PMDTees for debit/credit card transactions and payments through internet banking, a wallets, etc. especially for various government transactions."

— **MR. S. K. MISHRA**
Former Director & Managing Director & CIO, State Bank of India

"The only thing one gets to hear, these days because of demonetization, is digitization. Demonetization will accelerate digitization process, which in turn will further fast-track digital payments eventually benefiting the customer."

— **MR. RISHI GUPTA**
MD & CEO, FINEO Paytech Ltd.

"Rapid familiarity and adoption of technology by consumers is dramatically changing their needs, the way they interact with and expect an answer to their queries to be served by financial institutions. Clearly we are already amidst the next big wave in Consumer-led, Digital transformation and online services are actively delivering on their experience expectations even as we proactively find solutions to their 'pain' points. We will create an acquisition and retention program for our customers."

— **MR. RANA VIKRAM ANAND**
Head - Segments & Products, Branch & Business Banking, RBL Bank Ltd.

"Digital Banking is a game changer for India's transformation to a enable Digital India. Enhanced value creation and new differentiated factors towards customer digital delight is need of the hour."

— **MR. M. NARENDRA**
Former Chairman & Managing Director, Indian Overseas Bank

"Digital banks and digital banking are here to stay. Demonetization will be with its good and bad but is an excellent opportunity to accelerate and make digital banking more inclusive. Customer will continue to make choices based on the experience being delivered to them."

— **MR. ADITYA RATH**
Partner, Lead - Digital Customer, Digital Consulting Services, KPMG India

"New basis of competitive advantage in financial services is going to be entire enterprise development cycle - be it setting up or stepping up into learning. Secured, transparent and responsive digital banking system shall add to this. E-market place like initiatives, where applicants and lenders are active, shall ensure inclusiveness and empowerment."

— **MR. YASH ERANDE**
Partner & Director, BCG

"Enterprising India is looking for digital lending delivery. We want anytime & anywhere ease of access to financial and non-financial services. Digital solutions catering to entire enterprise development cycle - be it setting up or stepping up into learning. Secured, transparent and responsive digital banking system shall add to this. E-market place like initiatives, where applicants and lenders are active, shall ensure inclusiveness and empowerment."

— **MR. R. K. SINGH**
General Manager, Stand Up India, SIDBI