

# TOP TRENDS IN BANKING & FINANCIAL SERVICES



**WNS**

Extending Your Enterprise

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## A WNS PERSPECTIVE

Nao, Pepper and Lakshmi. It's not a new law firm or the latest boy band. It's a group of humanoid robots and chatbots that are revolutionize the Banking and Financial Services (BFS) industry. Banks across the world are deploying this kind of technology as a prelude to a future that is increasingly driven by technology — a future characterized by instant payments, anytime-anywhere services, individualized products, and virtual currencies, and perhaps run by invisible banks.<sup>1</sup>

Until recently, much of the industry's attention has been on improving Return on Equity (RoE) as many financial institutions deal with economic uncertainties, restrictive regulatory environment, intense competition, technology-driven disruptions, and overhauling legacy processes to meet changing customer requirements. However,

more and more banks are putting a new focus on innovation as many financial institutions re-deploy savings from efficiency initiatives and strategic cost programs into investments — including in technology.<sup>2</sup>

Additionally, buoyed by a positive revenue momentum, improved performance and better RoEs, the industry is shifting its attention to sustainable growth measures. BFS companies are considering alternative operating models and evaluating emerging technologies to achieve a wide range of benefits.

A look at some of the key trends re-shaping the BFS industry makes it easier to understand the transformations being undertaken by financial institutions to stay relevant in the future. These trends include the ongoing digital transformation, the emergence of

FinTech companies, the increasing role of Artificial Intelligence (AI) and robotics, and re-thinking the concept of money.



### Trend 1: Accelerating Focus on Digital Transformation

The industry is witnessing a continued and aggressive focus on digitization and the adoption of new and emerging technologies to bring in operational efficiencies, enhance speed-to-market and deliver superior customer experiences.

Banks are cutting down spends on branches<sup>3</sup> to invest in self-service digital channels as mobile and online banking become more popular among customers. Digital wearable devices, which pack the power of smartphones, are making it increasingly feasible for banks to offer targeted services to customers.

<sup>1</sup> <https://thefinancialbrand.com/61907/invisible-voice-analytics-digital-banking-future/>

<sup>2</sup> [http://www.ey.com/Publication/vwLUAssets/ey-key-themes-from-1q-2017-earnings-calls/\\$FILE/ey-key-themes-from-1q-2017-earnings-calls.pdf](http://www.ey.com/Publication/vwLUAssets/ey-key-themes-from-1q-2017-earnings-calls/$FILE/ey-key-themes-from-1q-2017-earnings-calls.pdf)

<sup>3</sup> <http://www.businessinsider.in/Americas-biggest-banks-are-closing-hundreds-of-branches/articleshow/55014889.cms>



### Trend 2: Emergence of FinTech Companies

Many banks are seeking to exploit the opportunities presented by digital, either by leveraging the technologies in-house or by partnering with FinTech companies. Initially, these companies were seen as competitors taking advantage of the void that was created by the BFS industry's inability to keep up with technological breakthroughs.

However, today, bank-FinTech partnerships are increasingly the norm, with the latter providing marketing, administration, loan servicing or other services enabling banks to offer tech-enabled banking products. Banks are also discovering some other advantages of bank-FinTech partnerships, including access to assets and customers.<sup>4</sup> As a result, these partnerships are beginning to re-shape the financial services landscape.



### Trend 3: Building a Cognitive Side to the Business

While customer needs and competitive forces demand that banks adopt full-fledged digitization, performance pressures compel lenders to reduce costs and keep operating margins healthy. As new regulatory requirements and data protection laws put additional strains on already-stretched resources, emerging technologies such as AI and robotics are helping banks address these constraints efficiently.

In fact, many pioneering companies in the BFS industry are already experimenting with multiple use cases of AI in their operations. From using AI to power chatbots and provide round-the-clock, agile customer services, to utilizing the technology for critical functions such as anti-fraud and regulatory

compliance, banks are realizing the double benefits of optimizing costs while improving operations. Additionally, technologies such as Robotic Process Automation and machine-learning are helping banks replace labor-intensive, manual workflows with highly reliable, cost-efficient and fast robotic operations.

These technologies are also triggering innovations in the industry, such as biometric-based authentications, voice commerce — and Nao, Pepper and Lakshmi, the robo advisors introduced earlier.<sup>5</sup> Of course, the other part of this equation is the impact on the industry's employees. While banks will need an increasing number of people with techno-functional skillsets, they may see redundancy in many of their existing roles.

<sup>4</sup> <https://www.bankdirector.com/issues/strategy/why-bank-fintech-partnerships-are-here-stay/>

<sup>5</sup> <https://www.youtube.com/watch?v=eDWmpBGa4B1>





#### **Trend 4: Re-thinking the Concept of Money**

Technologies such as blockchain are already heralding a quiet revolution, questioning the conventional economic value offered by the BFS industry. Blockchain is shaking up the very foundations of traditional business models with peer-to-peer lending, smart contracts and digital payments, eliminating intermediaries and speeding up underlying processes. Blockchain is expected to save as much as USD 20 Billion<sup>6</sup> in annual operating costs for the BFS industry, prompting an increasing number of banks<sup>7</sup> to deploy the technology in commercial production.

In addition to blockchain, cryptocurrencies such as Bitcoin,

Ethereum and Ripple are slowly gaining traction, questioning the need for physical cash itself. In this scenario, where assets that were once considered core are no more so, and controls that once served to protect are themselves giving rise to new regulations — such as Open APIs and PSD II — the industry appears headed toward a rebirth.



#### **Transformation: Key to the Industry's Future**

While it is clear that increased use of technology is the way forward for banks, several uncertainties about execution remain. To be most effective, banks and financial institutions should re-define themselves as agile technology

companies in the financial services industry — not the other way around. This implies that BFS companies should shed their non-core operations, retaining only those businesses that provide true differentiation for customers. Banks will also need to examine the fundamentals underpinning their core operations as customer preferences, demographics and lifestyles change.

As banks continue to cope with the developments that have already made an impact, their ability to transform themselves with speed and agility, and their future strategies to survive the next revolution, will determine the winners and losers in this technologically advanced future.



<sup>6</sup> <https://www.reuters.com/article/idUS191361512320160229>

<sup>7</sup> <http://fortune.com/2016/09/28/blockchain-banks-2017/>

## About WNS

WNS (Holdings) Limited (NYSE: WNS) is a leading global Business Process Management (BPM) company. WNS offers business value to 300+ global clients by combining operational excellence with deep domain expertise in key industry verticals, including banking and financial services, consulting and professional services, healthcare, insurance, manufacturing, media and entertainment, retail and consumer packaged goods, telecommunications and diversified businesses, shipping and logistics, travel and leisure, and utilities and energy. WNS delivers an entire spectrum of business process management services such as customer care, finance and accounting, human resource solutions, research and analytics, technology solutions, and industry-specific back-office and front-office processes. WNS has delivery centers world-wide, including China, Costa Rica, India, the Philippines, Poland, Romania, South Africa, Sri Lanka, Turkey, UK and US.



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