Banking: Stepping into the next decade – Engagement with Customers the key

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Are we as banking industry, still relevant to our stakeholders? Does our existence matters to people who matter to us? How could we continue to be relevant?

The economies around the world are now more smart, more integrated and more inclusive. The catalyst role is being played by advent in technology so, I usually prefer to call our era "Technomy" era. The economy fueled by advancement in technology is what we are in. The disruptions are phenomenal and are actually forcing us to leapfrog not only into physical advancement as a user of any product but, total paradigm shift is taking place rapidly right in-front of our eyes.

The world of banking and finance is now no more the language only of dollar and cents. We in the banking have done enough of debits and credits, assets & liabilities and risk and compliance. Bankers now are tested not on how much dollar and cents they know but on their ability to be bilingual and also speak the language of bits & bytes. Seems like the entire banking is now being hijacked by those running the technology. Can we convert techie to bankers? perhaps not but we sure can scaleup bankers to understand the power of technology so they could reflect, review and be paly accustom with these new found tools.

Digitization, Fintech, Regtech, Securitech, Gamification, Chat Bots, Machine Learning, Artificial Intelligence, Big Data Analytics amongst others are basic minimum vocab a banker needs to decode and start embracing. The tech buck does not stop here as its changing every second and new technology to aid whether operation, risk, sales, compliance etc. are emerging quicker that we thought.

The demographic shift, rapid urbanization, internet advancement, mobile phone technology, consumerism, rise in entrepreneurship spirit, boost in SME/MSME, migration both domestic and international and in the other hands issues like terrorism financing, cyber heist, hacking are going to be the key issues haunting the banking industry for next decade.

The trend in the regulatory world globally is also going through interesting times. The technology disruptions have caught the regulators 360 degree attention. The P2P lending, Payments bank, payment solutions are somewhat making established commercial banks bit nervous. The regulatory experiments are just at the incubation phase and hopefully the process will not make our industry irrelevant.

Yes, the key question or Yaxa Prasna that I like to call is are our banks relevant to stakeholders? Are we meeting the expectations? Are we engaged with our customers? Do we know what they want and what is their need? Are we relevant to our customers?

Hence, here are the challenges for us in the industry to step into next decade:

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AML/CFT will continue to haunt us locally as well as globally. With the expansion in emerging economies the new money will continue to rise. The new found wealth may come in the form of corruption, bribes, illegal activities. These sources will also find their way to fund the terrorism. The rise of crypto currency could prove to be a major challenge in fighting terrorism funding.

Cyber financial crime is expected to surge in next decade. The industry and regulators must act on their toes 24/7 to protect our coffers. The strike could happen anywhere, anytime, in any style. No one is immune and better not have the confidence. The criminals at the cyber world are more savvy, smart, intelligent and actually highly sophisticated. They are focusing on how to break banks system all the time, carrying out experiments, designs, plans and executing. They just live day in day out with only one goal – to break the system.

Our focus now should be not on the steel cash vault but, the digital lockers and vaults that store our money. Each and everyone in the bank now must act as a security guard armed with sophisticated weapons, intelligence and uniform culture to fight against cyber threat.

Banking will be needed but not sure if banks are. Particularly at the retail, consumer and MSME level. The advancement in payment systems, P2P lending, wallets, digital investment products amongst others may make this side of banking bit challenging. Banks must innovate and reincarnate themselves to stay relevant.

BankTechs such as fintech, regtech and securitech amongst others will witness major advancement in the next decade. The banktech sector must be allowed to grow and expand.

The Digitized banking means banks must go to customer not that customer comes to the branch. This is already proving to be a major cultural and behavioral shift in many emerging economies.

Human capital will continue to dominate the industry landscape. Even though with the automation the industry will continue to grow their employee base in particular to emerging economies where unbanked population and access to finance still pose a significant gap.

Then the talent and skill set gap, attrition and most importantly attracting talents to the banking industry will continue to pose challenges for acquisition as well as development.

This leads to the issue of Financial Inclusion and access to finance and fight against informal/ underground economy.

Now, no matter what technology we acquire, what talents we have on board and how we make our capital base strong and have ease of liquidity and loanable funds, the key challenge is are we engaged with our customers? We must find out who are our customers, what do they want and what is their need? We must find out how are they meeting the gap of financial needs and find a way to fill the gap at light speed. Even before a customer blinks, we must delight them with a product that perfectly fits their size and needs at the price they could afford and at a delivery location of their choice.

The decision key now should be shifted to customer not to the Relationship Manager or the approving authority of the bank. Let customer design and decide the financial products they want from us as against banks coming up with list of robotic boring menu list. We must allow customer to lead, play and enjoy the game so, everyone comes out as a winner.

We must have information and must be intelligent enough to process the information to harness information intelligence so, we could understand the exact need of our customer. The key is the engagement.

Now on the boarder level macroeconomic issues will continue to pose a challenge to the banking industry globally. The slower rate of growth of larger

economies, interest rate issues will continue to occupy central stage. while the emerging economies will have accelerated growth, the absolute amount would still not be at par with bigger economies.

The regulatory challenge will continue to pose as a threat. The cost of meeting mandatory regulatory requirements means ever increasing cost of doing business. The hefty fine on AML/CFT issues actually is now a major threat to the existence of the bank itself. Then to compete with unregulated players in a regulated environment may make the larger financial organization even more uncompetitive.

The rapid advancement in financial technology would also mean both acquiring and replacing cost is going to be a major financial burden. If you do it will cost you money and if you don't do it, you lose the risk of being out of business.

When it comes to technology, the discussion is not only about what you have or you don't have but, what others have particularly fintechs and how could they disrupt your business model and make you irrelevant.

The increasing popularity of social media means banks now must have intelligent systems in place to guard its reputational risks that may spread like fire in the cyber world. I won't be surprised the next bank run now would be due to poor risk management in the virtual world by the banks. ☯