

Leveraging Technologies to Redefine Business: Technology Perspective

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Abstract

The disruptors in the financial services industry are rewriting the rules, banks used to perform operations traditionally. The financial services industry known for conservative and resistant to change has been challenged by financial technology (fintech) companies that compete by combining digital technology, social media, and big data analytics to replace traditional models with financial products and services enabled by new technology. The present study is an attempt to portray the Role of Fin Techs, Challenges etc.

Keywords: Challenges, Opportunities, Role of Fin Techs, Trends.

1. Introduction

Digital disruption is occurring at every level of the financial services industry. New competitors, new channels, new processes and new consumer expectations are shifting the industry paradigm. Banks today are facing rapid and irreversible changes across technology, customer behavior and regulation. The net effect is that the industry's current shape and operating models are no longer sustainable into the future.

The only way to survive in this world of disruption is to stay in sync with these movements and accelerate execution to gain a critical competitive advantage. Subsequently, it is imperative for companies to embrace cutting-edge technology if they are to succeed in this fast-paced, agile environment in which every business needs to operate.

By 2025, the banking landscape is most likely to include some of today's popular banking brands in addition to other prominent names. The use of modern day technologies will differentiate successful companies from laggards. Fin techs have changed how financial services are structured, provisioned and consumed, but have not successfully established themselves as dominant players. Although Fin techs have limited success in their approach with in the competitive landscape, they have laid the foundation for future disruption.

2. Challenges - Confronting Digital Pace

There's been plenty of discussion over digital transformation in the last few years, the challenges of this sort of organizational change have become increasingly evident. Digital transformation remains a slippery eel that financial service providers just can't seem to grab on to.

2.1 Legacy Technology and Infrastructure

Legacy systems and complex process architectures are limiting banks' ability to enhance customer experience, impacting their advanced analytics capabilities. In financial services, this often happens because established players are rapidly bringing in new technologies through acquisitions or mergers, creating an architecture that's a Frankenstein project of smaller pieces. It's not sustainable, and it doesn't scale well. This is a problem particularly poignant in well-established financial services companies that may have been architecting piecemeal on the back-

end for years. Building a new, ideal solution from scratch is not a practical option from a fiscal or timeline standpoint.

People want to create something new, not pay for problems that are already there. However, it is very necessary for building a robust digital business that will survive long-term.

2.2 Supports for Change

Digital transformation is not just about technology, it's also about business process and organizational changes. Organizations that want to be successful with their digital transformations need to start by aligning stakeholders from across all facets of the organization behind the company's innovation efforts. Having the team working off of the same playbook and finding ways to build on technologies being deployed throughout the organization is vital. There are many other challenges currently faced by financial institutions however the in-depth coverage is not the prime focus of this paper.

3. Opportunities - Strategic Choices in Digital Age

The digital transformation process of the financial sector involves adapting to the new digital client, reinventing the value proposition (even beyond what is strictly financial) and being able to create new business models based on technologies such as Cloud, mobility, Big Data and Analytics. The first major challenge is to keep moving to adopt a true customer centricity strategy that focuses on the customer as the center of all business decisions. There is no alternative since in the digital age the customer has plenty of information at his fingertips and a greater power. This reality requires bank institutions to respond to interaction and service models that the digital customer already has. In this sense, understanding, learning how to interact and meeting the needs of new customers are still key aspects to maintain and ensure competitiveness within the sector.

There are four fundamental ways in which digital capabilities can be used by banks to create value.

First, digital technologies increase a bank's connectivity—not just with customers but also with employees and suppliers. This extends from online interactivity and payment solutions to mobile functionality and opportunities to boost bank brands in social media.

Second, digital draws on big data and advanced analytics to extend and refine decision making. Such analytics are being deployed by the most innovative banks in many areas, including sales, product design, pricing and underwriting, and the design of truly amazing customer experiences.

A third way that digital creates value is by enabling straight-through processing—that is, automating and digitizing a number of repetitive,

Finally, digitization is a means of fostering innovation across products and business models. Examples of this include social marketing and crowd sourced support, as well as “digitally centered” business models.

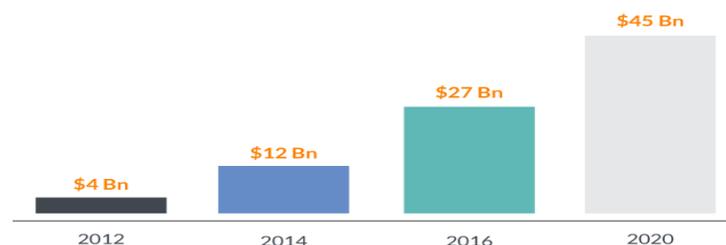
4. Role of Fin Techs

Following years of dominance by large institutions, the industry is undergoing incredible disruption in the form of nimble, tech-savvy startups. Well-established financial services companies are increasingly finding themselves confronted with fast-moving fintech disruption. Fintech companies are currently very active at trying to disrupt the financial services market. There is a huge funding boom happening in financial services, similar to the one that happened in the 2000s, when the Internet was starting to take off and there was a lot of money chasing a lot of different ideas.

The digital shift underway in the Fintech sector has pushed innovation to a whole new level, across the globe.

Levering the potential of AI, particularly in the Fintech arena, will revolutionize the relationship between humans and machines. And one of the key aspects will be to use cognitive systems to amplify human intelligence. To stay competitive, banks must remain cognizant of numerous implications from within and from outside the financial services industry. In these times of uncertainty, only one thing is certain – change. Below are some of the fintech trends that expected to drive future dynamics of the banking ecosystem.

Worldwide FinTech Investments



5. Trends

Trend #1: Significant Investment in Digital Transformation

Digital disruption has impacted the financial services industry, and banks are investing heavily in digital transformation. Rapid growth in online and mobile banking, as well as empowered customers embracing digital touch points, is further fueling the need for investments in digital transformation

5.1 Trend #2: Cloud Computing

Banks have been leveraging the cloud to streamline processes, and with a growing confidence in its security, there has been an increase in its uptake. The banking industry has witnessed a huge push toward the cloud, with most banks initiating migration of infrastructure and applications to the cloud. Banks generally have been a bit cautious with cloud implementations and tend to stick to implementations in peripheral functions such as ERP, HR, and service desks versus core functions (consumer loans, payments, enterprise data) that link to the general ledger, mainly due to risk concerns. There is a requirement for banks to have the ability to scale their processing capacity up or down, as per the prevailing market demands

Trend #3: Next-gen chatbots

2017 saw several major banks in India such as HDFC, ICICI, and YES Bank, amongst others, adopting chatbots for supporting customer interactions. Currently, these chatbots are said to possess the intelligence of a 2-3-year old. However, as machines do not suffer from physical or learning fatigue, the evolution of a chatbot could be best described as more exponential than linear. So, in 2018, we could expect more chatbots to be deployed with improved quality of interactions, speed of responses, and accuracy in decision-making.

Trend #4: Machine Learning

Banks in 2018 will start adopting new regression models powered by machine learning to deliver better offerings. The brightest data scientists will be involved in this delivery and they will be aided by insights into customer behavior, expectations and responses. These insights will be gained by adopting big data tools and will enable banks to predict customer needs and meet them in a customized manner.

Trend #5: Blockchain

Several major players have already begun pilot projects to measure the feasibility of adopting blockchain into their ecosystems. NITI Aayog officials are working on the project named 'IndiaChain', India's largest blockchain network. It's aimed to reduce fraud, speed up contract enforcement and increase transparency in banking operations. As blockchain is virtually unhackable due to time stamps that mark a data entry in a distributed ledger, banks will explore options to leverage the power of blockchain to transform backend operations.

Trend #6: Smart workflows

With the help of embedded AI aiding the backend operations of banks, they will be able to quickly identify bottlenecks in their operation workflows and bring in significant improvements in process efficiencies.

Trend #7: Automated personalization

Banks will leverage the power of fintech to personalize the offerings that users see on all their devices. Banks will change the appearance of apps based on actual usage. This will make users feel more connected with banks and it will also set the stage for efficient self-service. There will also be advancements in providing pre-filled data to users based on their previous interaction history, preferences and banking habits.

Trend #8: Open banking

With initiatives such as Unified Payments Interface (UPI) and Aadhaar Enabled Payment System (AEPS), banking will become 'open' in 2018. With more APIs exposed by banks, the process of carrying out payments and other banking transactions would be greatly quickened as well as simplified.

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