

Digital Adoption by Indian Banks

Sushil Tyagi, Executive Director opines hows and whys of Banks 'investing right' in technology



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Digital is mainstream – thanks to the pandemic. Banks in India too have accommodated this trend successfully. But, is the battle won? Becoming digital is not a challenge but achieving cost and value parity is. Dismantling legacy systems to replace it with advanced technology may just be skimming the surface. This transformative period requires disruption at the core of the banking technology, the business model and customer-centricity.

Traditionally, banks have been slow to integrate technologies such as artificial intelligence (AI) into their operations, this scenario is changing. As per a recent survey, India's banking sector leads the adoption and implementation of emerging AI use cases. This development will enable the country's digital transactions to account for 71.7% of all payment transactions by 2025 and see the digital banking platform market grow from US\$ 776.7 million in 2021 to about US\$ 1.48 billion by 2028.

Additionally, government initiatives such as Digidhan Abhiyaan and PM Modi's allocation of 75 Digital Banking Units have boosted the digitization story as more and more Indians moved to digital banking and services.

Despite this acceleration, the technology investment by Indian banks is low as compared to their global peers. According to a recent study, Indian banks spend only about 2% of their annual revenue on technology, compared to their global counterparts who spend up to 10%. Also, they invest mostly in front-end enhancements such as UI/UX rather than technology powering back-end services like cloud computing and APIs (Application Programming Interface).

Banks are investing more in building sleek and appealing user-friendly interfaces, by investing in digital channels such as mobile applications and web channels to attract new-gen customers. Additionally, customer-facing features such as smooth navigation menus and intricate homepages are other front-end areas where they invest more. While this is definitely important, banks shouldn't perceive them as the be-all and end-all solution in their digital journeys.

Experts claim that to develop a robust technology ecosystem, banks should promptly invest in upgrading and remodeling their back-end services.

► Investing in tech—The right way

Indian banks should look beyond focusing on front-end services during their digital transformation journeys. They should develop an effective roadmap for their technological transition, by including modern systems that can elevate their workflows and services. While it is necessary to create a captivating, user-friendly interface to attract and retain customers, strong back-end operations are the foundation of today's banks and determine how efficiently they function. The technology integration plan should be developed in such a way that it becomes composable to both customers and employees, offering an end-to-end 'total experience' to all of the bank's stakeholders.

► [Smart CRMs](#) and Data Management

Banks have vast networks of customers, vendors, and services. Today, more customers are limiting physical visits to the branch, opting for personalized, on-the-go service. This means banks need to deal with managing multiple communication channels and numerous technologies to deliver a convenient, satisfactory digital experience to the customer. In fact, banks use more than 500 applications to run their various systems and processes. While enabling Customer Relationship Management (CRM), services with pre-made, 'one-size-fits all' templated packages are cost-efficient and keep the workflows automated, however they are still far away from elevating customer experience. Hyper-personalized CRMs or [Smart CRMs](#) offer tailor-made, department-specific services for customers to have a superior engagement experience. The traditional CRMs aggregate basic data from banks such as a standard list of services and customer transactions that limits the scope of providing enriching customer services. Hyper-personalized CRMs on the other hand uses simplified but evolved computational techniques that can handle complexities, generate real-time data on customers' spending behavior borrowing

patterns and engagement with the bank, thus building an optimal customer experience. By turning data into their strongest asset, [Smart CRMs](#) can be used to manage digital lending, create risk modelling plans and power up self-service journeys for customers across various departments of bank.

Banks sit on the huge pile of data, which though well organized in a specific context, are scattered across all different systems and processes! This doesn't give 360-degree customer view to relationship managers and consequently it impacts not only the customer engagement but also business. Alternatively, AI driven tools and integrated modules can streamline each data points, deliver actionable insights and modify the data consumption process further. At the end the relationship manager can enjoy the live feed of all the relevant customer data enabling a hyper-personalized and differentiated customer experience.

Banks should also invest in data analytics applications like Embedded Analytics that leverage AI and ML directly into an enterprise business application to deliver real-time insights and interactive data visualizations.

➤ **APIs and Microservices**

Banks need to invest in API-driven systems to maintain the seamless interchange of information with third parties, such as payment apps, as the focus on multi-vendor architectures is gaining popularity. The microservice architecture enables banks to adapt to evolving customer expectations by making applications easy to maintain, quick to deploy and reliable. APIs and microservices enable financial institutions to make their data compliant with 'open architecture', enabling them to integrate with superior technology services.

➤ **Low-code/No code**

It is a raging buzzword in the banking technology world. For sure, it allows banks to configure, extend, customize, or compose certain parts of their core application portfolio, without a hefty need for personnel with major coding skills. The catchword here, though, is 'certain parts of core application'! The deployment and integration cost are minimized but it comes at the cost of desired flexibility and scalability. A design low-code platform on the other hand simplifies the coding at the design level of the core application becoming greatly assistive throughout the application's lifecycle. Not only the bank is able to handle the evolving complexities themselves it also provides scope for the flexibility, scalability, better and go-to-market readiness. This is being [Up for tomorrow](#) consistently irrespective of the unpredictability

of change in the eco-system.

Investing in technology will thus help banks to achieve a positive total customer experience. With evolving technologies and expanding avenues of convenience, the demand for customer experience (CX) has also changed. To provide optimum customer experience, banks and other financial institutions should upgrade their support platforms that include digital channels such as websites, email, chat, and mobile apps. This will enhance brand loyalty, deploy better retention rates of customers/stakeholders, and increase the company's reputation, among other things.

Furthermore, they should thoroughly plan their cloud roadmap before initiating their digital transformation. There is no standard 'one-size-for-all' approach when it comes to a bank's cloud strategy. Banks should carefully plan in selecting the right cloud infrastructure, and the right Cloud Service Provider (CSI), among other things. These will be wholly determined by the bank's current and future business requirements.

► **Way forward**

Banks should invest in shape-shifting architecture to re-assemble, re-orient and re-arrange their tech components in such a way that can turn them fully autonomous. Also, by employing system configurations that are cloud-native, no-code and hyper-scalable, banks can easily future-proof themselves. Also, by experimenting with new models such as open banking and Banking-as-a-Service (BaaS), banks cannot just stay ahead of the game, but also motivate their peers and competitors to use them for streamlining their processes.

By constantly investing in the right technologies, banks can add a new, disruptive layer of tech adoption.