The COVID-19 Crisis: Implications for the Financial Services Industry

Banking & Financial Services
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- INTELLIGENT
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- CREATE EXPONENTIAL VALUE
- AUTOMATED
- AGILE
The coronavirus (COVID-19) outbreak has snowballed into a major global crisis causing immense personal and financial suffering for consumers, communities, and businesses. Organizations are grappling with a series of challenges ranging from logistics, workforce, operations and supply chain, finance and liquidity, tax and trade, and strategy and brand.

The banking industry, in addition to facing its own challenges, is expected to help customers in this hour of need. While banks have well-defined business continuity plans, they may be inadequate in handling a crisis of this scale and impact or address the large number of varying challenges emanating from the situation. Given banks’ fundamental proposition to customers is trust and reputation, the current crisis is a grave challenge, the response to which will have a lasting impact on their long-term performance, success, and market positioning. This white paper highlights the impact of the crisis on the financial services industry and proposes technology-led solutions in the immediate-, short-, and medium-term.
Evaluating the Impact on the Financial Services Industry

At a macro level, supply chain disruptions, fall in demand, lower income due to loss of employment, and production shutdowns will immensely impact the global economy resulting in a drastic fall in the global GDP growth rate. This in turn will translate into reduced business for banks; in fact, the sector is already witnessing widespread impact as evidenced by the following metrics:

- High street banks in Ireland have registered a week-on-week footfall reduction of 20-24%.1
- UniCredit of Italy has closed 70% branches while the remaining 30% are operating on alternate days.2
- TD Bank, N.A., a U.S. national bank and subsidiary of the Toronto-Dominion Bank, is encouraging customers to bank digitally and has also closed selected branches and reduced working hours.3
- Banks in the UK have raised the spend limit for contactless card payments to GBP 45 from GBP 30 effective April 1, 2020, to reduce queues at check-out counters.4
- Banking & Payments Federation Ireland reported that member banks experienced a 400% increase in calls seeking support with mortgage related concerns accounting for 7,000 calls a day. The spike in call volumes also led to dramatically longer wait times while the announcement of payment breaks further pushed up call volumes.5

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This is a small sample of the sweeping impact unleashed on the global financial services industry by the COVID-19 outbreak. To efficiently handle the crisis and ensure seamless delivery of essential banking services, banks will need to craft their response across three time horizons – immediate-, short-, and medium-term. While all banks have business continuity plans, none of them seem to have been designed for an extreme situation like this one. Hence, they may fail to fully address the ever-changing and unknown issues arising out of the current crisis. Global travel restrictions, nation-wide lockdowns, massive surge in call and data traffic, workforce reduction, tightening of liquidity, lack of digital alternatives, increased cybercrimes, absence of secure remote access to staff, and the need to ensure workforce wellbeing will pose unprecedented challenges. These challenges will test the efficiency of well-established business continuity plans and their ability to deliver seamlessly in the near future.

With the pandemic set to continue into the medium-term, defining a strategic response to the ever-shifting situation will be imperative. In our view, banks must define a strategy that focuses on the adoption of the appropriate digital technology enablers and innovations underpinned by agile delivery models to successfully handle the immediate- and short-term impact
The crisis has given rise to some key macro concerns; to manage the complex and fast-changing scenario, we believe banks need to map the issues across two dimensions – stakeholders and time period. Issues faced by the three most important stakeholder groups -- customers, employees and regulators – need to be mapped across three time periods- immediate-, short- and medium-term. Table 1 depicts the key challenges in the current context and the potential solutions that banks can adopt to ensure business-as-usual.

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<th>Macro concern</th>
<th>Key consequences</th>
<th>Possible solutions</th>
<th>Our recommendation</th>
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| Travel restrictions   | Trust issues due to the inability of bank executives to travel to meet their customers, partners, vendors and teams. | ■ Secure digital communication  
                          ■ Multiple digital interaction modes  
                          ■ Digital tools like dashboards, e-learning and gamification to meet employee training needs  
                          ■ e-Audits to eliminate travel for compliance purposes | ■ Employee digital engagement  
                          ■ Secure video banking  
                          ■ e-learning, gamification |

Table 1: Key Challenges and Recommended Solutions
<table>
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<tr>
<th>Workforce disruptions</th>
<th>Shortage of workforce due to lockdowns and sickness</th>
<th>Need for the staff to wear multiple hats to address multiple customer needs necessitating urgent cross-functional training</th>
<th>Fatigue, fear and mental weariness of the workforce</th>
<th>Home agent model to enable staff to work despite lockdown</th>
<th>Bots and interactive voice response (IVR) systems to address routine queries thereby freeing the staff for new/complex activities</th>
<th>Digital apps to influence employee behavior and protect their health</th>
<th>Digital councils to help employees engage with professionals for their wellbeing needs</th>
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<tr>
<td>Call volume surge</td>
<td>Inadequate traditional call handling infrastructure to deal with the surge in call volumes driven by fear and uncertainty</td>
<td>Customers' desire to talk to human agents as there is greater comfort in talking to human beings during uncertain times</td>
<td></td>
<td>Video or audio messages to assure customers of continued service</td>
<td>AI tools to predict the top reasons for inward calls and proactively share such information</td>
<td>Bots to manage routine calls and outward calls</td>
<td>Remote call management to address increased staffing requirements</td>
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- e-engagement tools
- Secure home agent technology
- Bot-based training and service assistant
### Social distancing
- Shortage of staff leading to challenges in managing continued footfall at physical locations despite COVID-19 restrictions
- Lack of uniformity in social distancing norms across different jurisdictions
- Appointment booking apps
- Tokens to ensure access control and manage customer footfall
- Divert customers with specific needs to the most appropriate branches
- Home delivery apps and infrastructure where possible and permissible
- Branch concierge solutions with dynamic queue management
- Intelligent web and mobile appointment assistant
- Digital-token management solution

### Digital maturity
- Unavailability of all banking services on digital channels
- High bandwidth requirements of existing digital channels resulting in unavailability of banking apps and disruption in service
- Friction and trust issues caused by disruption in digital channels can escalate into panic
- Current digital capability assessment to determine the person-dependent activities that can be shifted to online channels
- Data-light digital channels
- Bots for avoiding service disruption, managing response time, and monitoring performance
- Business process re-engineering and automation
- Digital twin technologies to expedite throughput
- Prioritization of essential services
<table>
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<th>Customer confidence</th>
<th>Regular communication from appropriate authorities to instill confidence and retain customer trust</th>
<th>Digital maturity assessment</th>
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<tr>
<td>Waning customer confidence and trust can lead to a run on the bank</td>
<td>Multiple digital communication channels like ATM screens, video messaging, web and mobile apps</td>
<td>Video banking</td>
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<td>Video banking for customers served by dedicated relationship managers</td>
<td>Mobile app enhancements</td>
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<td>Intuitive communication features built into mobile apps</td>
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<th>New risks</th>
<th>AI-based monitoring and assessment</th>
<th>Analytics and insights (A&amp;I) solutions</th>
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<td>Emerging risks such as inability to man branches and call centers, asset-liability mismatch due to deposit flight, inability of clients to service debt due to job or business losses, increased cyber-crimes, inability of vendors to provide services</td>
<td>Management dashboards with decision support tools</td>
<td>Digital loan life cycle including workouts and closures</td>
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<td>Digital workouts for loan restructuring</td>
<td>Machine intelligence frameworks</td>
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<td>Possibility of global recession</td>
<td>The IMF chief has called the current business environment as recessionary</td>
<td>Data analytics and prediction models to discover the customers and segments that are likely to default</td>
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<td>Explore merger and acquisition (M&amp;A) opportunities</td>
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<td>Cost control to offset interest and other revenue losses</td>
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<td>New digital business models</td>
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<td>Identify and participate in the ecosystems that are likely to disrupt business models while ensuring optimal capital expenditure within reasonable limits</td>
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<td>Deep learning prediction models with AI and machine learning tools</td>
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<td></td>
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<td>M&amp;A solutions</td>
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Table 1: Key Challenges and Recommended Solutions
Looking Ahead

In summary, these are testing times and we strongly believe that banks will need to quickly initiate measures to ensure seamless delivery of services to customers with minimal disruptions. Solutions that provide rapid or quick resolutions to the problems created by the COVID-19 crisis are the need of the hour. In most scenarios, short and crisp interventions must be initiated to carefully tread this slippery road. Navigating the COVID-19 landscape will pose tough challenges to financial institutions, and collaborating with a trusted service provider may be the way forward.
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Srinivasa Kumar Yerchuru heads the Industry Advisory Group for the Banking, Financial Services and Insurance (BFSI) business unit at TCS. He has 27 years of experience across consulting, solution development and implementation in the BFSI industry. He has wide experience in leading multi-million dollar industry transformation programs from concept to go-live in capital markets and insurance domains spanning across depositories, pension funds, asset management, global custody and investment banking. Srinivasa holds a Master's degree in Engineering from the Indian Institute of Science, Bangalore, India and is an alumnus of the University of Michigan – Stephen M. Ross School of Business, Michigan, USA.

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