PURPOSE DRIVEN TRANSFORMATIONS FOR BFSI FIRMS

BFSI prepares to lead the economic rebuilding efforts in the Post-COVID-19 World

Banking, Financial Services and Insurance
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BUSINESS 4.0™;

- Embrace Risk
- Mass Personalize
- Cloud
- Intelligente
- Leverage Ecosystems
- Create Exponential Value
- Automated
- Agile
K Krithivasan is the Head of Banking, Financial Services and Insurance Business Group. In his role, he is fully responsible for planning and executing the growth strategy, financial performance, enhancing customer mindshare, and also associate development. Krithi leads the Business Group's focus in creating long-term value for its customers and TCS associates. An ace domain expert, he has extensive experience in the Banking and Financial Services Industry and has nurtured some of the key banking relationships over the past 16 years. During this period, Krithi has helped some of TCS’ key clients with digital transformation, change management cycle acceleration, achieving value beyond cost optimization, and establishing overall IT program governance.

Krithi has over 30 years of Global experience in the IT industry. He has worked in diverse roles ranging from delivery management, relationship management, large program management, and sales—across different markets. Krithi has also led the E-Business delivery across TCS, where he was responsible for establishing consistent delivery practices and governance for all large e-business programs. He is also a member of the board of directors of TCS Latin America.

Krithi holds a bachelor’s degree in Mechanical Engineering from University of Madras and a Master’s Degree in Industrial and Management Engineering from IIT Kanpur.

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 multimillion-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.
Executive Summary

The COVID-19 crisis has rattled the social and business environment alike. While socially we adapt to living and working in completely different settings, businesses have to be highly resilient and move quickly to modify ways of working. The uncertainty has undoubtedly sparked fears as mirrored in the global market volatility and presents newer opportunities, as well.

Even though it is difficult to evaluate the long-term impact of the crisis, the banking and financial services industry (BFSI) is well placed to offer the much-needed impetus to revive the economies as they have been well capitalized thanks to the post GFC regulations. BFSI firms are already playing a pivotal role in helping the economies by participating in various government funded aid programs for various segments of businesses and society like CARES Act, CLBILS, etc. Firms that have adopted digital significantly took the lead and adoption of digital becomes imperative to the rest.

As we gain stability and move into the post COVID-19 world, BFSI firms will have the opportunity to facilitate seamless cross-industry customer-journeys for their customers. They will leverage ecosystem play to deliver purpose driven products through collaborative business models with diverse distribution strategies, leading to ever-evolving customer segments.
Introduction

At the start of this new decade, the world economy was thriving, equity markets were performing well, and oil was trading in the positive territory. The 2008 economic crisis was a distant memory and it seemed we might just have moved away from its dark shadow. It may be safe to assume that no one saw this freight train coming until just before the point of impact.

Even as we try to assess the complete breadth of the crisis brought on by the Novel Coronavirus, one thing that remains clear is that the global ramification from the pandemic will change the way of life and conducting business for a long time to come. The global macro-economic environment has turned unpredictable and recessionary and almost all segments of Banking, Financial Services and Insurance are impacted directly or indirectly because of the lockdowns and significantly reduced economic activity. This crisis is an extreme tail risk event, which was not considered in risk models in entirety.
2008, 2020: What’s Next?

In general, the COVID-19 crisis is set to depress demand and rattle supply chains across the segments—like retail, airlines, and hospitality—already reporting the impact. The debate has opened up around the implications for the banking and financial services sector, in comparison with the collapse of 2008 that began in the US and reverberated across the global financial industry. The subsequent regulatory tightening and unending Quantitative Easing helped restore liquidity and confidence. Thanks to the stringent measures, the BFSI industry is better positioned to weather the storm compared to 2008. Most of the major banks have been able to make significant provisions in anticipation of credit losses. This time we do not have a financial crisis on hand but a global health crisis that has resulted in a near-complete global lockdown. Therefore, while the BFSI sector may be relatively stable, the impact of the pandemic on other industries is likely to be a key factor at play with respect to the growth momentum, going forward. At the same time, banking and financial services industry will have a significant role in reviving the global economy out of this crisis.

While nothing comes without an expiry date, and this crisis will be no exception, what remains uncertain is the crisis trajectory going forward and the duration it will last. The impact from the crisis can result in a downward spiral of job losses leading to low spending and low consumption resulting in further job losses and so on.

We see the future unfolding in four phases. The crisis phase in which we are right now, where the pandemic is growing and will eventually plateau, after causing severe loss of lives, livelihoods and damage to countries and economies. Firms need to be resilient and adaptable during this phase. This will be followed by a transition phase of up to one year during which the impact of the pandemic begin to phase out, with declining infection and deaths, thus providing some relaxations to the restrictions and uptick in economic activity.

The following post-COVID-19 phase, we believe will gradually see growth resumption. The transition and post-COVID-19 phases together will define the new ways for the industry, with the solutions becoming more purpose-driven. Firms will take measures to ensure that resilience and adaptability in the face of such unforeseen disruptions are part of their core structure and business plans. It may take about one to two years to stabilize in the new situation and will lead to a sustainable transformation towards the next phase—future proofing of firms. We believe the future proof BFSI firms will have a balanced approach towards growth, continuous transformation, and sustainability.

The overall industry response to the COVID-19 crisis will need to include elements that ensure resilience, value leadership, and growth. Organizations will have to develop value leadership approaches to optimize the cost of doing business on one hand while they develop growth leadership approaches to increase revenue and prosper in the new business environment.
Building the Road to Resilient Recovery: One Block at a Time

Adaptability & Resilience: Starting at the Beginning

Accelerated Digitalization

Purpose-driven, and Adaptive Transformations
Adaptability & Resilience: Starting at the Beginning

This is still an evolving crisis, with no vaccine or a potential cure on the horizon especially in the near term. Facing up to an unprecedented crisis like COVID-19 has emphasized the need for communities and industries to think of solutions that will not only insulate them in the near term but also prepare them for an unpredicted future. For companies this has meant a dive into revamping of the future business plans to ensure immediate business continuity and then strengthening the core of the institution to counter the uncertainty that will likely follow. Additionally, any strategy for building resilience must also include service continuity through the crisis. We see enhanced adoption of digital and Artificial Intelligence in business environments to ensure resilience.

The companies will not only need to develop new value propositions on a continuous basis but also ensure they match up to the changed realities of the crisis. As we adapt to the changed social and economic environments these value and growth propositions will be tested against client needs. We believe the BFSI firms have enough growth opportunities to tap into given their crucial role in stabilizing the economy through and post the crisis as they offer insulation and resilience to many impacted industries in the form of necessary funding.
Accelerated Digitalization

BFSI firms have always been early adopters of technology and digital technology is no exception to this. Many BFSI firms have already adopted digital strategies that enabled channel modernization leading to successful omnichannel strategies. The industry also has quite a few “digital only” avatars. As we progress through the next stages, we will see heightened levels of digitization across the entire value chain beyond channels, resulting in more insight-driven autonomous processes that deliver seamless customer experience.

The COVID-19 crisis and the following impact on the work and workspaces has pushed us to discover and adapt to new ways of working with social distancing and remote working as a key prerequisite. However, the firms that have already initiated the implementation of digital processes have found it easier to adapt to the changed environment. For instance, in recent times the banks that have been open to Cloud scored an advantage in adapting quickly. Going forward, we see businesses uncover the digital channels more extensively than in the past. Digital will become the default model of engagement with customers and change the business strategies to adapt to the new business environment.

Innovation has been the doorway to not only ensuring efficiency in the existing processes but also imagining doing things differently and better than before. Crisis situations not only encourage out-of-the-box thinking but also push us to visualize our environment in a different light.

A lot of inhibitions and reservations related with technological adoption will likely be viewed in a very different light now. Firms will be more willing to explore partnerships and evaluate business innovations. Firms that have so far not been comfortable about the risks involved with going digital, we feel will likely change their strategy and speed up the transition.

Post the COVID-19 crisis firms will need to recapture lost markets as well as adjust to the new business environment. Key focus areas will include business and operational continuity, regulatory compliance, and most importantly improving the bottom lines. In light of the requirements, we see increased adoption of AI and cognitive technology in decision support, end-to-end automation of trade and credit operations, and enhanced use of data to develop new value streams such as predictive cash management and trade insights. We see the emergence of ecosystem-based services such as marketplaces for supply chain finance. Alacrity and quality of customer service will be a game changer in corporate banking.
Purpose-driven, and Adaptive Transformations

The methods of adapting to the changed social and business environment for companies will be driven by the way they define their purpose. Organizations are looking beyond the products they make and sell to define the purpose behind their existence, which in turn often defines the blueprint for their transformation journey. In the post-COVID-19 world, firms will need to clearly chart their future journey aligned to this purpose. One of the realities to surface from the current crisis, much stronger than ever before, is the importance of sustainability. Therefore, we strongly believe that BFSI firms will undertake purpose-driven journeys towards sustainable growth and transformation.

Layer this purpose-driven approach with resilience and adaptability, the two key characteristics that enterprises need to adapt to the changed environment, and you have a resilient organization that can pivot, if needed, to thrive during periods of economic uncertainty.

The scope of the crisis on hand will likely continue to evolve over the foreseeable future. However, it is important, now more than ever, to evaluate the scope of transformations that can be assimilated into businesses to help address the current uncertainty as well as offer safeguards for long-term investments. We feel this is a good time for BFSI firms to evaluate and subsequently work to drive down enterprise complexity by setting up digital operating models. Considering touch-based services will be a challenge in the near term, borderless organizations will be more useful in ensuring access for the customers. Transformations will need to be adapted keeping in mind the future needs of the businesses. This can be accelerated by creating an agile architecture and infrastructure that will help the BFSI firms to quickly adapt to the changed work environment. However, digital alone might not be able to help with the needed transformations if the enterprise framework is defined by complex legacy systems. Unless we work to reduce overall enterprise complexity, our ability to adapt and be resilient in the times of volatility will be limited.

The crisis has pushed firms to focus on performing a holistic assessment of their businesses and determine action plans to address the immediate crisis and the phase of transition. The assessment findings will guide the firms to review and re-prioritize their current and planned book of work.
Conclusion

The COVID-19 pandemic is undoubtedly the biggest crisis humankind has faced in a century and will reshape the world in ways not imaginable today. At this point, we have a lot of unanswered questions that will be crucial to determining the course of action for the BFSI firms going forward.

On the positive side, consider this – BFSI sector has been teleported five years into the future. Everything that was part of the five-year plan for firms in terms of digital adoption will now likely be reality within months. The crisis will also act as a catalyst for consolidation in the industry, which will give rise to efficient, agile, and innovative firms.

The BFSI firms need to stay vigilant to the rapidly changing socio-economic environment and be ready to adjust their strategy and response. As we have seen, resilience and adaptability will become second nature to firms that evolve faster post the COVID-19 crisis. Purpose driven approaches that fulfil the needs of the end customers will help with future proofing.

Further Reading

TCS, The COVID-19 Crisis: Implications for Financial Services Industry, April 2020

TCS, COVID-19: A New Beginning for Insurers, May 2020
About BFSI

With five decades of experience in partnering with the world’s leading banks, financial services, and insurance (BFSI) companies, TCS offers a comprehensive portfolio of technology-led, domain-focused processes, frameworks, and innovative solutions that empower BFSI organizations to respond to market changes quickly and manage customer relationships effectively, while ensuring regulatory compliance. With a commitment to innovation and transformation, TCS is helping global BFSI organizations manage risks better, leverage ecosystems effectively, and create exponential value for customers.

TCS has developed customizable solutions with the expertise gained from engaging with global banks and insurance companies, regulatory and development institutions, and diversified and specialty financial services firms. TCS is recognized as a Leader and Star performer in Application and Digital Services in Banking and Leader in Capital Markets Services PEAK Matrix™ Assessments 2020. TCS is also recognized as a Leader in Property & Casualty (P&C) and a Leader and Star performer in Life & Annuities (L&A) Application and Digital Services PEAK Matrix™ 2020. Everest has also recognized TCS in Capital Markets operations, Banking operations, Life and Pensions (L&P) and Property & Casualty (P&C) Insurance and Wealth Management Operations PEAK Matrix™ Assessments 2020.

About TCS

Tata Consultancy Services is an IT services, consulting and business solutions organization that delivers real results to global business, ensuring a level of certainty no other firm can match. TCS offers a consulting-led, integrated portfolio of IT and IT-enabled infrastructure, engineering and assurance services. This is delivered through its unique Global Network Delivery Model™, recognized as the benchmark of excellence in software development. A part of the Tata Group, India’s largest industrial conglomerate, TCS has a global footprint and is listed on the National Stock Exchange and Bombay Stock Exchange in India. For more information, visit us at www.tcs.com.

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Contacts

For more information on TCS’ Banking & Financial Services, please visit https://www.tcs.com/banking-financial-services Email: bfsi.marketing@tcs.com