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Helping India step change its growth: How tech enabled banking can contribute to realization of $5tn economy goal

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FICCI & Indian Banks Association's marquee annual conference on the banking sector concluded in November. The latest iteration of the programme saw Governor RBI, Shaktikanta Das and other leaders from the finance and banking sector share views on **'Helping India step change its growth: How tech-enabled banking can contribute to the realisation of $5tn economy goal'.**

Nation's macroeconomic indicators and buffers make "India a picture of optimism and resilience", said the Reserve Bank of India Governor Shaktikanta Das during the inaugural session of FIBAC 2022.

In a comprehensive address to a gathering of more than 650 attendees, Das spoke on several subjects - from inflation to CBDC, digitisation, exchange rate, and to geopolitical developments.

The RBI Governor acknowledged that the inflation targets were missed to avoid 'paying a high cost' by tightening earlier. But, he said, "we did not want to upset the recovery process. We wanted the economy to safely reach the shores and bring down inflation." However, he noted that the reserve bank continues to be watchful of the liquidity situation, noting, "RBI remains agile and watchful and ready to undertake liquidity operations."

Das hailed the launch of Central Bank Digital Currency (CBDC) as a landmark moment, underlining that the Reserve Bank is among the few central banks in the world to take the initiative. "Going forward, it is going to be a major transformation of the way business is done and transactions are conducted," he said. RBI launched the retail part of the CBDC trial later in the month.

He also spoke on end-to-end digitised KCC loans launched last month in Madhya Pradesh and Tamil Nadu. He underscored that the learnings from the pilot project and the CBDC pilot will help 'launch the CBDC in a full-fledged manner in the near future.' In addition, RBI will use the learnings in launching pilots for SME loans. "If everything goes alright, we hope to do launches nationwide sometime during the year 2023," he said.

Addressing the volatility in the exchange rate, RBI Governor said that almost all major currencies - barring the Swiss Franc, the Singapore Dollar, the Russian Rouble and the Indonesian Rupiah - have depreciated against the US dollar more than the Indian Rupee. He said, "from April 1 to October 31, 2022, the Indian Rupee has depreciated by 8.0 per cent, while the US dollar has appreciated by 13.0 per cent." In addition, Das underlined that the Indian Rupee has appreciated against many major currencies. Furthermore, he added, "the size of the Indian Rupee's appreciation was the highest vis-à-vis the Japanese Yen (12.4 per cent), the Chinese Yuan (5.9 per cent), the Pound Sterling (4.6 per cent) and the Euro (2.5 per cent)."

Speaking on occasion, Sanjiv Mehta, President, FICCI, underscored the need for a sustainable, inclusive growth of almost 8 per cent per annum for the next few decades to realise the vision and aspirations of 1.4 billion Indians. "The financial sector will, of course, have a key role to play in this journey," he said. Mehta suggested that Credit Bureau / Credit Registry could evolve into comprehensive consent-driven information Bureau(s) leveraging the Account Aggregator framework to alleviate the challenges faced by MSME.

Among other key speakers, A K Goel, Chairman of IBA and Managing Director & CEO, Punjab National Bank, alluded to the adoption of various technology like artificial intelligence, machine learning, cloud computing, and blockchain by banks to improve product and service offerings and customer experience. Notably, he referred to fintech "not as competitors, but as equal partners of banks."

Saurabh Tripathi, Managing Director & Senior Partner, BCG, alluded to the need for proactive action in light of what the industry might look like in five years and suggested enhancing the current Aadhar KYC system on the lines of Singapore that allows for KYC with just a facial ID.

India today shows a picture of optimism and resilience

No one can match the prowess of Arjuna, but our constant endeavour is to keep an Arjuna's eye on inflation, which is our primary target.


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Riding the digital supercycle

Over the past few years, many digital enablers - Open Network for Digital Commerce (ONDC), Open Credit Enablement Network (OCEN), blockchain-enabled financial system, Digital Rupee, and UPI, among others - have been put into motion. These could leapfrog India as a leader-nation in digital finance. In this regard, the next five years are critical. At the FIBAC 2022 CEOs Panel, ‘Riding the digital supercycle: How digital finance can help India leapfrog’, senior banking executives spoke on the action agenda for unlocking the country's higher growth potential.

On occasion, Saurabh Tripathi, the Managing Director & Senior Partner of the Boston Consulting Group, alluded to a recent BCG survey that showed that only 40 per cent of small and medium enterprises were willing to share their data with banks. He added customers were not fully convinced about end-to-end digital banking. In this regard, AK Goel, Chairman, IBA and MD & CEO of the Punjab National Bank, underscored creating awareness among customers and changing employee mindsets. He noted that the PNB workforce had come together to embark on this journey. Their mobile banking app was revamped to provide maximum customer convenience. Goel added, “the future of the banking industry is in digitalisation,” and his bank was now seeking to achieve the same pace of digital transformation as other banks of the same size.

On the other hand, Dinesh Kumar Khara, the SBI Chairman, believes that “digital and physical banking has to co-exist”, and teams have to reorient themselves by identifying skills and training. But, Khara added, “whenever we embrace digitisation, we try to digitise the existing journey; but we have to rework the whole journey,” and noted, “the ecosystem is evolving, but it is a journey, not a destination.”

Hitendra Dave, CEO of HSBC India, recounted the advantages of entering the digital space at a relatively late stage to benefit from the learnings of others in the industry. “The beauty of being in India is that there is enough in it for everyone,” he stated, informing that his bank focuses on the SME segment that is looking for full-fledged services. It was impossible to envisage India's achievement of a 5-trillion-dollar economy without the banks offering credit to the SMEs. “Banks like ours can play a role,” he felt.

While Dave espouses a late entry, Zarin Daruwala, MD & CEO of Standard Chartered Bank, averred her bank had already embarked on the journey beyond digitalisation by adopting artificial intelligence and machine learning and using alternate data. Daruwala noted that TREDS and fintechs had benefitted supply chain finance. She alluded to electronic debt certificates in vogue in China, which benefit the entire value chain. She believes blockchain, aligned with digital KYC, could revolutionise supply chain financing. “It would play out in India in the next few years,” she said.

Kaku Nakhate, President and Country Head of the Bank of America, underlined the learning that other nations could take from India's open stack. “There were a lot of key takeaways and use cases that banks could use across the world,” she said.

"There are a lot of takeaways and use cases from India's Open Stack that banks could use across the world"

Kaku Nakhate

President and Country Head of the Bank of America


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Climate and Sustainability:

Role of banks in financing transition of Indian industry and meeting India's national commitments

ESG investing in India has steadily gained momentum in the last five years. However, several challenges remain, calling for an overarching regulatory framework to help reap the benefits. During FIBAC 2022, a high-level panel discussed embedding ESG principles in investment and financing processes and the role banks could play.

During the session, Ashwini Kumar Tewari, MD, State Bank of India, noted that from the regulatory point of view, India was at an early stage. "What was needed was a standard framework for the banking industry," he said. In addition, Tewari cited potential opportunities in areas such as reducing thermal emissions and creating storage capacity. "There is a lot of opportunity not only in the renewable energy space but also in other elements and many transition opportunities."

"Climate financing has become fashionable over the last few years," said Rajiv Anand, DMD of the Axis Bank. He stated that Axis Bank was the first in India to establish an ESG committee at the board level. Besides, every disbursed loan requires due diligence in terms of ESG.

Axis Bank had come out with ESG 81 Sustainable Bonds, which were prevalent in only two Asian nations. Anand called for a system in which banks could work with multilateral agencies that could provide guarantees to make project proposals bankable. He suggested that if the bankability of a project were attractive, investment solutions would fall into place.

Debadatta Chand, ED of Bank of Baroda, also highlighted BOB's greater focus on renewable energy. "What we have been doing is to have energy efficient measures within that." Bank of Baroda is encouraging customers to lower their carbon footprint. Alluding to BOB's Green Initiative, he said, "any new housing loan we give, we plant a tree; 74 thousand trees have been planted across India."

However, Debadatta Chand felt that a better ESG roadmap is needed to drive the country to a lower carbon footprint. "We are riding the curve and possibly will be in a position to have zero carbon mapping in a couple of years." He also suggested that banks encourage zero carbon footprint rather than efforts to reduce it merely. "That would make it more attractive."

KVS Manian, WTD & Member of the Group Management Council of the Kotak Mahindra Bank, said, "we need to hasten the walk compared to the talk." He underscored the need for a framework of benefits and incentives which aid the transformation. He also called for the creation of investment pools in India similar to the ones present in Europe.

Raj Balakrishnan, MD & Co-head – Investment Banking, India of the Bank of America, was bullish about ESG in finance. He underlined that BoA is highly committed, and all personnel were involved in meeting these goals. However, Balakrishnan averred that a 'right regulatory framework' was needed and cautioned against diminishing support for other large projects due to expanding priority sector ambition for green financing.


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PAYMENTS AND CARDS: What to expect in a post UPI Indian payments market

India is now gearing up for a post-UPI digital payments revolution, with many fintech innovations showcasing a solid potential to disrupt the Indian consumer payments space. During the FIBAC 2022 experts' panel discussion on expectations from the post-UPI payments markets, the participants discussed threadbare the nuances and prospects of digital payments in India following the success of UPI.

Vivek Mandhata, Partner of the Boston Consulting Group, observed that the Indian digital payments journey is still developing. "If you look at data around whether it's payments to cash in circulation or number of payments being done by a person and benchmark it to peer countries, we're still not there yet", he said. However, Mandhata noted that the wide adoption of the Unified Payments Interface (UPI) underscored a "clear, secular shift" towards UPI and wallets. He averred that India has already seen a 5X growth cycle in volumes and is set for another 5X growth in the next five years. However, he underlined that the active UPI to active savings accounts ratio is around 30 per cent.

Dilip Asbe, the MD & CEO of NPCI, posits, "from a UPI standpoint, we are looking at a billion a day as the target to be achieved by India." He said by now, India needs just about a 4X growth to achieve a billion daily transactions, adding, "for the last two years, the ecosystem is getting some incentives as part of MDR." Asbe also underscored onboarding small merchants onto the credit ecosystem, highlighting that as the small merchants grow into the regular merchant category, they will pay the MDR. "The question is how do we grow them, and how do we give them that pathway".

In addition, Asbe underlined cyber security, fraud protection and consumer protection as areas needing investments. "We do not want to cut corners on these important things," he said, adding a lot more needs to be done on fraud protection, primarily because with growth in volumes, the following 300–400 million people entering the ecosystem will have low educational levels and will be more vulnerable to social engineering frauds. As a result, banks and fintechs will need to make huge investments.

According to Mahendra Nerurkar, CEO of Amazon Pay India, transaction volumes among customers already using the digital ecosystem will increase as use cases increase and customers start using different transaction channels.

The next wave of growth can also be through newer forms of payment for under-banked and

It was necessary to change the mindset of the employees, simultaneously creating awareness among customers.

AK Goel

Chairman, IBA and MD & CEO,
Punjab National Bank

unbanked customers. "10X growth is a matter of when versus if," he stated. But financial institutions need to look at long-term costs. "The mental model of how we think about revenues in this space might transform from pure transactional economics to customer economics," he said.

Dr N Kamakodi, MD & CEO of the City Union Bank, expressed confidence that the ATM network will not be affected despite banks looking at 10X growth. "UPI transactions increased five times, but those numbers have not come down," he observed. He conceded that the numbers had not grown much, but he saw both payment modes co-existing for at least another decade.

Nikhil Sahni, Division President, South Asia of Mastercard, called upon the institutions to use their distribution capability to build on what the debit card offers. Many transactions moved from cash to digital because of the efforts of NPCI and UPI. But India still has 935 million debit cards and 75 million credit cards. This gap is significant enough for institutions to work on. "We don't know what will happen in the next two years," he said. A strong credit economy will help India become a five trillion dollar economy. He predicted that most growth would come from tier 3 to tier 6 towns.

“We are at the peak in payment innovation," said MN Srinivasu, Co-founder of Bill Desk. He expressed satisfaction that the regulator has taken a proactive interest in transactional behaviour. Hence, India has one of the lowest rates of fraud. But there is a need for customer education.

In the view of Prasad Sonavane, Chief Revenue Officer, Innoviti, said credit cards on UPI will accelerate credit acceptance in the small merchant space. He shared that the small merchants are hungry to grow and will consider cost as an acceptable norm. "Credit in UPI is something we are looking forward to," he said. POS will continue if the partners see added value in their business. "Earlier POS only accepted payments. Today it does much more. We try to help the merchant grow his business." They do this by enhancing the levels of convenience in the experience, he added.


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"Digital and Physical Banking have to co-exist."

Dinesh Kumar Khara

Chairman, SBI

Collaboration between banks and fintechs is evolving

The complementarity between fintechs and banks makes it imperative to anchor partnerships to provide better and customised customer solutions. The FIBAC 2022 session on 'FinTechs: Learnings from past moves and improving collaborations with banks' saw an expert panel reflect on how the partnership has evolved and the path it may take in the future.

In this regard, Sabyasachi Goswami, the CEO of Perfios, noted that banks and fintechs had co-created many journeys over the last few years through collaboration and a consultative approach. "From our perspective, the journey of working with banks has been phenomenal", he said. However, he added a few caveats.

He cautioned fintechs not to look at short-term profitability but focus more on value creation. In addition, he urged fintechs to become more transparent as banks use a transparent, documented process approach. "Compliance is essential since banking is all about risk and management of risk, " he said, adding that all fintechs need to be prepared to enhance their information security, as the regulator demands.

Goswami underscored that stakeholders must do away with paper, irrespective of the segment. "The true north star will be giving that experience to the end consumer, which is completely seamless and frictionless, without asking for tonnes of documents as we ask today", he said.

Deepak Sharma, President & CDO of the Kotak Mahindra Bank, underlined that the bigger question is whether fintechs and banks work together to collaborate and co-create. He noted that a lot has happened in the ecosystem recently, as evident in APIs, open banking standards and partnerships focused on engaging, not just acquiring customers.

He noted that his bank is open to opportunities for co-creating both for the customer and the firms; however, the bank will not be amenable to collaborating with fintechs if they have to concede their customer engagement and experience. In addition, Sharma noted that everybody is more concerned about data privacy and security.

Sameer Shetty, President & Head — Digital Banking, Axis Bank, also noted that his bank is open to collaboration if the partner has the good capability and is compliant with norms. However, "we are not here to lend our license", he noted. He underlined that their partnership model has gone through significant evolution, with each partnership requiring substantial commitment. "The regulatory mindset is that everybody is open to come and participate. However, it has to be in the right way. Please come through the front door, and not through the back door". He highlighted that the north star metric of any collaboration would be that 30 per cent of incremental revenue comes in a way that both parties do well and serve the customer in a completely new way.

Shankar Subramaniam, India Corporate Banking Head of the Bank of America, observed that tie-ups could either be strategic, i.e., to fill in a gap, such as fraud management, or tactical. Regarding partnering with fintechs, Subramaniam noted that they consider the scale and the financial status of the fintech and prefer a fintech that plays in multiple markets. "We are clear where we will partner and where we can manage ourselves."

Viswanath Ramaswamy, Vice President, Technology, IBM India and South Asia, underlined client centricity as fundamental in fintechs and banks collaboration. He cited instant loans from banks, which earlier used to take weeks. "The client doesn't see it but experiences it, and that becomes the glue."

He averred that technology providers like IBM are trying to solve, especially from an Indian standpoint, scale and speed. In addition, he alluded to embedding technology into the portfolio of the fintech, keeping in mind regulatory compliances, especially on security and data privacy. He added, "embedding technology into the portfolio enhances the 'go to market' speed. They also provide intelligent automation and help modernise legacy issues".


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You can't have technology without talent.

Sanjiv Chadha
MD & CEO, Bank of Baroda

The challenges and hacks in pursuit of the holy grail – the Cloud Native Architecture

Banks that have invested millions in legacy technology struggle with the transition to the cloud as the cost and effort to migrate workloads to the cloud remain a significant concern. It is often a challenging multiyear transformation requiring holistic and strategic change management. Simple cloud migration may not be enough; it should be leveraged with API-connected microservices architecture and proper data framework. Many traditional banks are undertaking a phased migration approach, while new digital banks are just born on the cloud. Further, digital adoption in

India is moving at a breakneck pace putting heavy stress on the technology architecture.

"Fixing some of these challenges is very relevant," observed Vipin V, Partner, BCG. "Over the last few years, we have seen a digital explosion in almost all aspects of life. Financial services are not any different," he said, citing UPI payments, digital lending and insurance as examples where digital technology has been adopted.

Vidya Krishnan, DMD and CIO of the State Bank of India, highlighted numerous benefits of cloud architecture: it offers elasticity, flexibility, scale and resilience. "But one also must be very mindful of the challenges", she said. Knowing which apps to move to the cloud is essential, keeping in mind the guidelines and regulations and how institutions have to adhere to them.

Krishnan informed that the State Bank of India has its private cloud called Meghdoot, and they would like to build their strategy around the hybrid cloud. "We are in a disruptive space where technology keeps reinventing itself," she said. SBI has 400 apps on Meghdoot and does over 450 million daily transactions, most of them on the core system. However, becoming a cloud-native will need a lot of preparation. "You need two sets of resources because not all apps can get migrated", she said. She added that we need the right skills to operate on the legacy systems and run the cloud systems as they migrate.

Rishi Aurora, Senior Partner, ISA FSS Sector Leader and APAC Core Banking and Payments Leader, IBM Consulting, averred that issues that must be considered when moving to cloud-native architecture include modularisation, separation of concerns, APIs, and managing loads. But the most critical issue is how the institution moves to a cloud-native architecture. Aurora said, "the process has to be gradual; it cannot be overnight. You need to think through, app by app".

Avinash Raghavendra, President and CIO of the Axis Bank, also suggested a phase-by-phase approach. The areas that banks would like to move to the cloud will be around customer engagement, integration, and data. "These are the ones which are a good fit in terms of cloud." However, he noted that no bank would want to completely replace its core system, arguing "core banking replacements are multiyear projects with a lot of risks". So instead, the natural solution is 'hollowing out the core' in a phased manner.

Sudhir Kesavan, Senior Vice President — Cloud Transformation, Wipro, suggested 'hollowing the core' in a simplified manner. He said that banks must think through their API strategy and work backwards. Further, Kesavan called upon banks to be conscious about cloud economics and architecture because India operates at a 'continent scale in a single regulatory environment'.

V G Sundar Ram, Director — Business, Migrations and Digital Inclusion, AWS, noted two broad approaches: squeeze out the core and move into the cloud or set up an entirely new digital architecture on the side, where one moves in new business while keeping the existing business on the core. Further, he suggested that banks must understand which partner will work best for them and be realistic about the challenges. Finally, Sundar Ram averred that banks tend to try and re-use what they already have, even if it is not built for the right purpose. "We recommend developing an architecture relevant to the cloud and testing it periodically".


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Investment, commitment, rigour and patience are the need of the hour.

Amitabh Chaudhry
MD & CEO, Axis Bank

How Banks and Capital Markets will adjust to the New Infrastructure Finance Paradigm?

“India is a land of opportunities,” said Sunil Mehta, Chief Executive of the IBA, highlighting the country's rich investment scope given the relatively low level of development. At the FIBAC 2022 session on Infrastructure Finance 2.0, Mehta noted, “No infrastructure project can grow without help from the government”. However, the government cannot be the only funder. Hence, he underscored the need for a basket of funds.

In this regard, Rajkiran Rai, MD & CEO of the National Bank for Financing Infrastructure and

Development (NaBFID), highlighted multiple opportunities for banks, including infrastructure projects on urban infrastructure, healthcare, tourism, and inland connectivity. “The pipelines are there, but we need to convert these projects to bankable projects,” he said. In addition, Rai noted that infrastructure funding needs long-term assets such as 20-year bonds.

Ashish Garg, Managing Director & Senior Partner of BCG, alluded to the need for multiple sources of funds to finance large infrastructure projects as there are very few bond issues to match the demand. To this, Gurpreet Chhatwal, MD of CRISIL Ratings, noted that the Indian bond market could not fund infrastructure, citing the possibility of a perception problem as traditional bond market investors have seen significant losses from infrastructure. Chhatwal underlined InVIT and REIT as a big boon for infrastructure financing in India. “Bond markets need to accept this”, he said.

On occasion, Prasad Gadkari, Executive Director and Chief Strategy Officer of NIIF, said the National Infrastructure Pipeline is about creating new assets and involves extensive greenfield and brownfield development of assets. The prominent sectors under this pipeline are energy, urban infrastructure, and railways. He noted that the National Monetisation Pipeline is worth about USD 80 billion and is less risky because it involves mainly operating assets- transmission lines, highways, and airports.

No infrastructure project can grow without help from the Government.

Sunil Mehta

Chief Executive
Indian Banks' Association


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Impossible to envisage India's achievement of a 5-trillion dollar economy without the banks offering credit to the SMEs.

Hitendra Dave
CEO, HSBC India

Attracting and retaining talent one of the biggest challenges for banks

India, which used to be a low-cost, resource-heavy country, has suddenly become a resource-constraint country with massive demand for technological, digital and analytics talent. During the FIBAC 2022 session on retaining next-gen talent, Varun Kejriwal, Managing Director & Partner of the Boston Consulting Group, noted that the trend from the COVID-19 pandemic is here to stay. He cited a recent survey where four out of five employees said they preferred to work from home, with many people also wanting to remain specialised, individual contributors.

In this regard, Prashant Kumar, MD & CEO of the YES Bank, felt that giving confidence to employees is critical. He observed that the expectations of the current generation are different from those of their predecessors. "They want a lot of flexibility; they want us to respond to their needs the way they want." Therefore, banks must not take a rigid approach. The concern of those joining public sector banks is the stability of the job. On the other hand, people joining private sector banks like to experiment and learn different things. “Banks should not see attrition as a problem but as a new normal”, he said.

R Subramaniakumar, MD & CEO of the RBL Bank, felt that banks are no longer traditional banks but technology companies running financial services. He suggested that banks should leverage their current platform to provide the opportunity for the existing talent to rise. Further, Subramaniakumar emphasised that senior officials should focus on building the organisation as much as on hiring talent. “If you can build the culture, you will be able to manage it very well”. Pralay Mondal, MD & CEO of the Catholic Syrian Bank, spoke similarly. He averred that "the biggest capital for a bank is its human capital”. He added, "you need to create an ecosystem where everybody works together with a common vision”.

Kadambelil Paul Thomas, MD & CEO of the ESAF SFB, said they decided to hire retired, experienced bankers on contract in 2015. It was helpful, especially for controlled functions like compliance and vigilance. He informed the audience that they continued the practice. Further, he noted that they have trained and upskilled all existing employees and partnered with SBI Learning Centres across the country to give the option to those who want to move to retail branch banking. "The next generation is interested in working if a purpose is attached. So we align their purpose with the organisation's purpose."


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Digital Lending is the answer to India's Credit Deficit

Credit growth in the country is at a nine-year high, with retail, corporate lending and MSME finance all growing. Hardik Shah, Partner of the Boston Consulting Group, called the development the "Cinderella moment" for Indian banking. However, the customer pyramid still shows a lot of under-penetration, especially in the MSME market, because of the limited availability of authentic data and high friction points. However, the situation is changing. Lenders can now access a variety of data. "The Bureau has been one of the key success pillars for retail lending, but if you now think about MSME lending, there is a lot of data on direct tax, on GST, bank statements that institutions could analyse digitally, and a lot of unstructured data like social media, telco data, mobiles, a lot of it is available," Shah pointed. But, he added, institutions need to find the correct use cases and a suitable model to use this data.

Rajeev Ahuja, ED of the RBL Bank, alluded to the democratisation of financial services and called upon financers to approach the market with an open mindset. He advocated a partnership approach as banks will not be the only repositories of customer transaction data and interest. Ahuja felt that in MSME finance, the trade value chain and TReDS will eventually take today's consumer financing to B2B financing in the next 12–24 months.

He added that the challenge would be for banks to reorganise their internal organisational capabilities as the inputs into the assessment have changed dramatically. Additionally, he remarked that open platforms could eventually create scale and adoption. "If you can collaborate and work with them, we'll have many successes." For example, if all invoices are published digitally, we can build more informed risk assessment models for MSME finance.

Ramgopal Subramani, Chief Strategy Officer of Perfios, felt it essential to understand customer business models. He spoke on the GeM platform, where four of the ten banks are already lending. Subramani noted that there are around 30,000 applications per month, and 50 per cent of the purchase orders are less than Rs 15,000; however, none of the banks had policies geared to lend to them. He was hopeful of some credit guarantees for lending to the micro-segment, which can increase the ability for banks to take risks. The risk factor can also be mitigated by looking at more and more sources of data. Sashank Rishyasringa, Co-Founder and MD of Axio Finance, averred, "what is needed for the industry is a change in how risk is managed." Rishyasringa explained that with customers across 15,000 pin codes, the old models of human-driven underwriting and physical collections must change. Still, there can be no compromise on risk. The challenge is maintaining credit quality while transiting risk management models from analogue to digital. "What we will see in the next two years is a new paradigm of how you manage risk with data and decision science at its core."


RAJEEV AHUJA
RAMGOPAL SUBRAMANI


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Blockchain technology, aligned with digital KYC, could revolutionise supply chain financing.

Zarin Daruwala

MD & CEO, Standard Chartered

Cyber Security Should Be Collaborative Effort

Cybercrime has cost the economy around 50 billion dollars across industries. Besides financial services, goods and manufacturing also receive a lot of cyber threats. Today nobody is untouched by the digital bandwagon. Data is exposed on the Internet for a long, and handshaking takes place between different dimensions, not just software. Saurabh Chandra, Platinion Managing Director, BCG Platinion, noted, "cybercrime has risen from a USD 445 billion to about a USD 2 trillion economy'. He added, "57 per cent of our IoT devices are vulnerable to medium and high-security attacks, and 98 per cent of devices are unencrypted because this is an emerging technology".

Chandra averred that the situation calls for imbibing new technologies in organisations, academia and government using AI and crypto methodologies.

Sankarson Banerjee, CIO of the RBL Bank, added that the cyber-attack footprint has increased enormously post-COVID. "We have seen a huge expansion in social engineering fraud," he said. He called for better cooperation within the industry to address the problem of social engineering, adding, "we protect ourselves. Now we must protect the community as a whole and eventually get together on a larger scale as the industry."

Banerjee urged stakeholders to beef up cybercrime detection and prosecution capabilities. He conceded that there had been some progress. Still, prevention is only one part of the story: enforcement reduces crime more than prevention. "A better police force reduces criminals more than better locks because criminals will always figure a way out of locks. So that is something we have to strengthen."

Lalit Kumar, Head of Security of the AWS, chimes, "we all have a shared digital future," adding, "The key important change is to open a cyber security format where industry leaders collaborate and create one single model where all app logs could be expressed, and we can extract threat intelligence out of that data."

He suggested that more thought should go into how to incubate skills and how organisations must classify data. For example, we can use a driving license and a voter ID card for identification, but they have very different risk levels. Organisations must examine what data they are storing, where they are storing it, what encryption they are applying, and who controls the encryption keys.

Rajiv Mishra, CGM, DIT of the Union Bank of India, felt that a connected world calls for more robust security and emphasised a proactive approach with solid systems and processes. "We have to join hands with other institutions. The time has come when society joins together", he said. He called for proper laws and education and suggested collaboration between research organisations like the IITs and banks. "That will make the system more resilient", he said.

Vipin Surelia, Head of Risk Services — India and South Asia, Visa, called for leveraging the capabilities of partners and merchants. He was hopeful that banks could move to a dynamic risk-based authentication and about the emergence of new technologies. "IOTs, robots, AI and 5G are no longer technologies of tomorrow; we are seeing them manifest in the banking industry", he said.


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Banks Should Aim to Personalise Digital Journey of Customers

Banks must increasingly prioritise delivering a superior customer user experience (UX) over their digital channels. A solid design strategy that exhibits a deep understanding of the customer can mitigate customer satisfaction risk and improve banks' competitive standing. During the FIBAC 2022 discussion, Shalini Warrier, ED of the Federal Bank, felt that existing bank customers find it easy to shift to digital banking. There is, however, more complexity with new-to-bank customers. Although she acknowledged that banks have improved their infrastructure and are making good progress in onboarding customers, it is clear that customers will need assistance along the way. A phygital process is the preferred option.

She felt that efficient measurement and reporting of critical metrics and effective structures would help banks increase conversion to the digital platform.

Rajan Pental, Senior Group

President and Global Head – Retail Banking of the Yes Bank, Customers want the digital journey to be simple. "In design thinking, instead of looking from bank to customer, we have to reimagine the journey from customer to the bank; that is very important", he said. He called for continuous conversation with the customer during the digital journey. If a customer drops off, the bank must revert and discover their issues. He also felt that banks must not restrict a digital journey to one product but offer every customer other things that they will find helpful. "This will be great service to the customer."

Chandra Shekhar Surbhat, Vice President and Practice Head – Digital Experience at Wipro, had a similar opinion. He said while banks reimagined the customer journey initially, today, it is the customer who decides the journey. He called on banks to think from the perspective of the customer. All channels should be designed such that they can assist the customer.

Nitesh Ranjan, ED of the Union Bank of India, said, "we are moving from a system of records to a system of experience." He was clear that digital migration applies equally well to customers and employees. The factors affecting the migration depend upon the class of customers and the complexity of the product. Digital technology would be cost-effective, and he felt there is no need to worry excessively about ROI at this stage.

Shreyas Srinivasan, CPO – Customer Products, Paytm and CEO, Paytm Insider, disclosed that his organisation had an interesting journey with digital engagement and stated, "while the emphasis is on personal banking, why can't digital be personal?"

Experts see partnerships as the way forward to augment rural finance

Any conversation about India isn't complete without discussing financial services touching rural. Hemant Jhajhria, Managing Director & Partner of the Boston Consulting Group, said India had undergone significant transformation over the last few years. He predicted that this transformation would continue for another decade.

Historically, the penetration of financial services in rural India has been challenging due to limited data, standardised products being pushed into rural areas, low ticket sizes resulting in low margins, and the high-touch model resulting in a high cost of serving. But now, data is being created in new forms with bureau data and digital data. As a result, new partnerships are emerging.

Baskar Babu Ramachandran, MD & CEO of the Suryoday Small Finance Bank, said, "when we started microfinance, the model was to get in touch with the customer physically. That was 2012; in 2022, it is paperless." He commented that the customer only wants to interact with the bank when they are disbursing cash. "Hence who owns the customer is the one who delivers customer experience, not one who writes a loan on banks."

He added that the erstwhile finite possibilities of dealing directly with customers have evolved into infinite possibilities through partnerships as the trust factor in partnerships is substantially high today. He described his bank's collaboration with FINO Payments Bank as seamless. Customers now know they can withdraw cash without having a debit card or going to an ATM. The inflexion point now is to take the

partnership to scale. "I think we are at the cusp of doing that," he said.

Rishi Gupta, MD & CEO of the FINO Payments Bank, added that it does not make sense for institutions to build everything independently when there are so many organisations to partner with. "One of the reasons for FINO to be successful is the banking channel relationship which FINO built up with a lot of banks, and Union Bank has been one of our prime partners on that," he said.

He noted that it is challenging to visualise a partnership without technology integration. Both systems must talk to each other to seamlessly provide service on the ground. "Both technology and partnerships are the driving force not only for rural business but for all kinds of businesses."

J Venkatramu, MD & CEO of the India Post Payments Bank, added that technology plays a vital role in the distribution might of the Department of Posts. "When we say technology, it also is in the form of the handset, connectivity and applications where you can harness technology in various form factors to provide that service across the last mile."

Nidhu Saxena, Executive Director of the Union Bank of India, agreed that partnerships and technology are the two main drivers to augment financial services in rural areas. Further, he added that the three key players impacting financial services in rural areas are banks, non-banks and fintechs. "Each of these partners has their strengths and challenges when they operate in rural areas," he said.

Saxena further added that technology would be needed to run a co-lending business model, which the RBI has introduced. "Co-lending can be a good solution for all the players for financial services augmentation in the rural areas." He informed that UBI had developed a functional product in partnership with a fintech, where KCC loans are given a consent-based auto-renewal facility. He added that they are now partnering with the RBI Innovation Hub to offer this facility for sanctions.

Royston Braganza, CEO of Grameen Capital, said, "when we talk about re-imagining rural financing, it is not about trying to force fit what works in the urban and then tweak it slightly to the rural". Instead, he called for end-to-end digitisation where a farmer can ask for a loan on his mobile phone, and the phone pings to a system with an AI algorithm that provides all the necessary information in real time. "That is what we need to solve for," he said.


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RISHI GUPTA

MSME Banking is still underpenetrated

MSME financing, the holy grail of banking, is complex and changing. At the session on MSME finance at FIBAC 2022, Sivasubramanian Ramann, CMD of SIDBI, explained that while KYC is well-established for non-individuals, over 90 per cent of MSMEs operate as proprietorships. Therefore, the major problem is to get most of them to migrate to Udyam Registration. In this manner, at least 4–5 crore MSMEs can get Udyam registration certificates and complete their KYC with digital validation. "That single registration should make good for

the need for KYC," he said. Ramann added that with GST coming on to the account aggregator, the invoice of an MSME will get picked by the account aggregator from the bank statement and shared on a marketplace platform where potential lenders could then make an offer.

M S Mahabaleshwara, MD & CEO of the Karnataka Bank, noted that MSME financing is challenging, but banks treat it as an opportunity. He informed the gathering that his bank has adopted a flexible attitude and focused on understanding the client's requirements instead of the bank. It resulted in Karnataka Bank sanctioning MSME loans in minutes and hours.

Srikanth Rajagopalan, CEO of Perfios Account Aggregation Services, pointed out that it is crucial to remember why the framework exists and what problem the lenders are trying to solve. "Data principals have lots of data but struggle to put it in one place," he said. The challenge is to put the data principal in charge of their data and reduce the friction in using it.

Rakesh Singh, CEO of Aditya Birla Finance, noted that while consumer loans can be underwritten at the click of a button because of the rich quantum of data available, it is a challenge for MSME financing. "It, in my view, will evolve over some time, like UPI and Aadhar."

He added that ONDC would democratise data with open architecture; the need will then be to convert information to a scorecard. So, for example, if MSMEs are assessed on their working capital, much more information can go into the assessment; linking that with GST will reveal their turnover, and institutions can plug that information into underwriting. "But the journey is long, and the industry is somewhere midway", he said.

Neeraj Dhawan, Country Manager, Experian India, underlined that while far more structured data is available, the challenge is to assimilate that data, which is where the bureaus come in. They have brought a paradigm shift in how technology-enabled decision-making converts data into a score.

Sundeep Mohindru, CEO of the M1Xchange, said that when the COVID-19 pandemic hit the country in 2020, the TREDS platform did Rs 18000 crore worth of financing. In 2022-23, TREDS will be doing Rs one lakh crore worth of business. "SMEs are logging in from 1200 cities digitally," he emphasised and "can get invoices discounted using a mobile phone". That is the extent to which the product has been simplified. "The whole game is very different now, with this digital journey we have experienced in India."


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