



Financial services banking on tech

While technology presents an opportunity, it also poses a threat as it lowers barriers to entry

Technology-led innovation has been the cornerstone of 21st century, with the digital world ushering in sweeping changes across sectors and businesses. It has redefined markets, wiped out businesses and created new ones.

One clear indicator of this change, which we are witnessing, occurred when, in November 2015, Facebook's market capitalisation of \$275 billion went past General Electric's (GE) market capitalisation of \$273 billion in just three years of Facebook's listing. It did not matter that Facebook's staff numbered 9,000—just 3% of GE's—or that the total sales of Facebook at \$12.5 billion was not even 10% of GE's!

Much like in other sectors, technology has brought a paradigm shift in the financial services sector as well. One may argue that technological disruption has, so far, been less severe in the case of the financial services industry, but winds of change are blowing. It is evident that many areas will get impacted and the nimble will have an advantage over the stodgy. Look at the evolution in payments space; as payments move more and more to digital mode, soon we may not need to write cheques or send drafts.

Technology has two key realities—it evolves and eventually becomes affordable and as it penetrates through society, it spawns large amounts of data. This data when analysed enables

companies decipher trends that generate newer opportunities. Here, competition can become sector-agnostic, with companies in a seemingly unconnected industry using customer data and insights to expand into newer industries.

Technology and telecommunication companies, for example, can leverage and tweak their existing platforms and enter the arena of financial services. Companies that have large customer pools and know a lot about these customers can think of ways of offering them a wider range of products, including financial ones.

While rapid technological advancement has thrown open a plethora of opportunities allowing companies to tap into new customers at low costs, it also presents a threat to existing financial services players as it lowers the entry barriers.

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to real-time intelligence and secure systems. On the other hand, interactive ATM kiosks—besides giving wads of notes—can become a one-stop shop for all investment and insurance solutions. The possibilities are endless and humongous.

As a leading player in the financial services space that has leveraged technology to grow business, a key question we ask ourselves is: "What next?" Change is the only constant in these fascinating yet disruptive times and technology will continue to be the harbinger of recast and revamp. Financial services are no different, as consumers want their transactions to become faster, cheaper, more convenient and last but not the least, absolutely secure.

Given that in 2020, the average age of an Indian will be 29 years, companies and organisations in the financial services space need to prepare to cater to this tech-savvy and aspirational generation. As cell-phones are now the most commonly

possessed device across urban and rural India, a combination of internet and hand-held devices will be the fulcrum of a financial services business. Together, this will be the medium of identification, evaluation and disbursement of services that will be marked by business intelligence that analytics increasingly provides.

At the same time, digital technology will make it easier for customers to switch from one financial services firm to the other and this could end up hurting profitability. Not just smaller players, even leading financial services companies will need to adopt, adapt and devise new strategies to understand customer needs and demands in the backdrop of technological transformation and make a concerted effort to retain them. Further, companies operating in the financial services space will need to work much more closely with other players to develop new delivery channels and apps for customers.

In this era of "blink and miss", keeping pace with the latest developments is simply not good enough. It is absolutely imperative to stay ahead of the curve and ride the next wave of technological evolution. Or, be lost in the high seas!

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