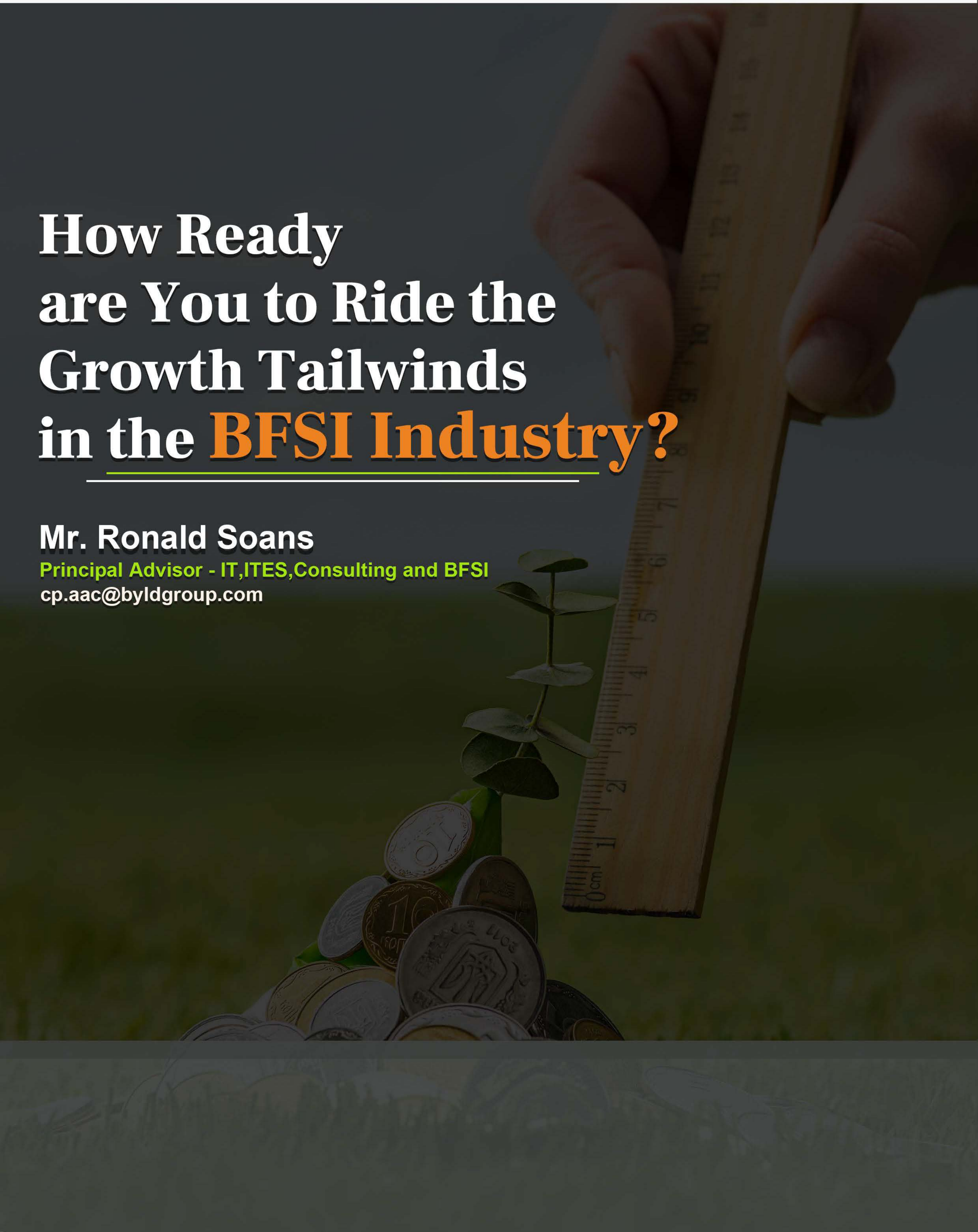
Building Your Leadership Differentiators



How Ready are You to Ride the Growth Tailwinds in the BFSI Industry?

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DFinance Minister Nirmala Sitharaman exhorted financial institutions to be more people-centric in the next 25 years so that the economy moves to a higher growth path, while recently addressing the 3rd National Microfinance congress.

The banking, financial services, and insurance (BFSI) sector has been on a high-growth path and grew by 27 percent in 2022 as compared to the previous year.

BFSI companies' **gross interest income was up 14.9 per cent YoY in Q2 FY23,** while their interest expense grew 13.6 per cent, leading to an expansion of their net interest margin. growth acceleration creates stress points for the organisations in the industry.

Business Stress points.

Customer retention

With the rise of clients, shifting from financial sector to insurance and insurance to retail, the financial sector besides competition itself, companies must invest in customer retention providing more than financial services. Creating connections between contact points of the customer journey needs to be a major focus area and can be an important factor to ensure seamless and consistent consumer experiences across all stages of
their decision journey.

Too much capital (liquidity) chasing the same customers.

Looking for avenues of growth using the excess liquidity results in most institutions chasing the same customers thereby increasing competition for themselves. This results in impact on margins and thereby profitability as customers ask for lower interest rest as offered by the next competition. This has an impact on the cost of acquisition of customers.

Increasing cost of funds

The Marginal Cost of Funds based lending Rate (MCLR)-linked funding would see a lagged increase in cost compared to the borrowings linked to market benchmarks such as repo and T-Bill. Survey report said the increase in rates could lead to a 90-100 bps year-on-year rise in funding cost in FY23.The agency said the prevailing uncertain operating environment has led NBFCs to maintain excess liquidity on the balance sheet in the range of 5-10 per cent of assets, which impacted the profitability due to the negative carry of excess liquidity.

Increasing cost of operations & customer acquisitions

In the BFSI sector, prices have risen significantly due to changing economic factors, the rising use of technology, and the increasing demand for services of varying kinds. Banking, financial services, and insurance are a crucial tenet of every citizen’s life, and the costs of providing services to a vast population can have recurring damages. Most often, companies fail to identify and capitalize on cost-saving opportunities or leverage procurement market intelligence within their organization and systems and incur higher costs than required or advised. Understanding and adopting the ideal approach to cost-saving is imperative to the successful, cost-effective, and sustainable growth of any business.

Increasing pace of digitization (Technology)

Globally, digital banking users are expected to cross the 3.6 billion-mark by 2024. The statistic isn't completely surprising, and in fact only reiterates what banks and the world in general has known for a while now: The future is digital and banking is no exception to that. So, if the advent of Banking as a Service (BaaS), open banking, and the booming Fintech sector were not proof enough, we now have this roaring statistic that puts a number to the future of banking.

Equipped with real-time assistance, personalized services, highly customized offerings, wayshorter turnaround times, and 24x7x365 availability and accessibility, digital banking also helped deliver an enhanced customer experience, in turn leading to an increased rate of adoption.

As per McKinsey, 71% of consumers prefer multi channel interactions, and 25% want a digitally enabled private banking journey with the scope for human assistance if and when needed. What is evident from these numbers is the fact that digital transformation can not only help banks acquire new customers but also deliver a stellar customer experience to the existing ones.

Increasing investment in technological integration, prioritizing cyber security, constantly working towards digital upskilling of existing talent and continuously innovating and buildingdigital products for customers is essential for banks looking to achieve complete digital transformation in a smaller time frame. Collaboration with digital-first financial services providers, such as Fintechs and NeoBanks, can also go a long way in ensuring faster digital adoption among banks thereby facilitating the contribution towards building

Maintaining growth trajectory with high base effect

The distortion in a monthly inflation figure that results from abnormally high or low levels of inflation in the year-ago month is an example of the base effect. A base effect can make it difficult to accurately assess inflation levels over time. It diminishes over time if inflation levels are relatively constant, without strong outlier values. India's economy is forecast to have expanded by an annual 15.2% in the April-June quarter, thanks to a weak base last year and a rebound in consumption as pandemic restrictions eased, a Reuters poll found.That expected strong double-digit growth rate in Asia's third-largest economy, based on the median forecast from an Aug. 22-26 Reuters poll of 51 economists, would be up sharply from a reported 4.1% growth rate in the preceding quarter. The Reuters poll also expects the economy to slow considerably to 6.2%, 4.5% and 4.2% in the current and following quarters,highlighting a below-potential growth trajectory for the second-most populous country in the world.So it is important for the sector to focus on the growth trajectory in spite of the high base effect.

People stress points:

Talent acquisition & development to sustain growth

The BFSI sector is undergoing rapid growth and transformation. HR's role is key in supporting this growth and achieving business outcomes by acquiring, grooming, and leveraging the right talent. However, the process of hunting for the right talent has become a daunting task, in the wake of many recruitment transformations. With the Great Resignation and ongoing digital transformation, hiring has become an ongoing priority. Sourcing has shifted from consultants to social media hiring to more interactive open-market sourcing. The trend of candidates window-shopping is making companies focus on tools such as psychometric tests, occupational tests, etc. to assess talent comprehensively and accurately. Companies are realizing how this can enable a good fit, faster hiring, and attrition management. HR too needs to understand the needs, desires, and aspirations of their applicants for a win-win fit.

Talent retention

While struggling on the hiring front, organisations should work on plugging leaks in their own talent pipeline. Cost of retaining talent is far lesser than hiring afresh. When you invest in developing your talent from a growth perspective, the engagement goes high and so does contribution and thereby retention. Companies need to work on investing in talent for tomorrow, and not just buying talent from outside. Balancing buy with build through campus programs and development focus is a strategy that will help organisations remain successful. A well-articulated talent proposition showcases career growth, diversity and inclusion, employee empowerment, and open communication can help retain talent.

Technology skilled resources,

Digitization in India has taken the BFSI Sector. According to a recent report, demand for jobs in the banking, financial services, and insurance sectors has witnessed an optimistic year-on-year growth of 27% in 2022 compared to the previous year. Until now, the BFSI sector has primarily functioned using traditional technologies, resulting in lower efficiency and unsatisfactory customer experience. However, advancing technologies are paving the way for the industry to digitize through emerging skills like artificial intelligence, algorithms, and data sorting in enabling better customer insights.

With technologies powering over the financial sector, upskilling professionals will help bridge the skill gap between traditional and contemporary work settings. This change has also seen a rise in various online courses for professionals aimed at building skills in current trends in roles such as trade finance specialists, credit and risk analysts, wealth management experts, cybersecurity analysts, and blockchain experts. The banking and financial industry is expected to provide jobs to 1.6 million skilled workers by this year.

Ability to match customer service vis a vis customer expectation

Eighty percent of people believe their company already delivers top-notch customer service. The unfortunate truth is that only a mere eight percent of customers will say the same (Bain & Company). With 73% of consumers rating a good customer experience as a key factor in their brand loyalty, you don't want to risk this.

> "Client expectations will keep increasing," says Sergio P Ermotti, group CEO of UBS. "Younger generations will expect new products, better services and faster delivery—preferably at a lower cost."

A Mckinsey report states that today's operations employees are unlikely to recognize their future counterparts. Roles that previously toiled in obscurity and without interaction with customers will now be intensely focused on customer needs, doing critical outreach. They will also have tech, data, and user-experience backgrounds, and will include digital designers, customer service and experience experts, engineers, and data scientists. These highly paid individuals will focus on innovation and on developing technological approaches to improving customer experience. They will also have a deep knowledge of systems and possess the empathy and communication skills needed to manage exceptions and offer "white glove" service to customers with complex problems. (Mckinsey report on Banking operations for a customer-centric world)

Improving customer satisfaction ultimately hinges on a company being able to close the gap between what customers expect and what a company actually provides. Most successful businesses recognize the importance of providing outstanding customer service. Courteous and empathetic interaction with a trained customer service representative can mean the difference between losing or retaining a customer not just depending on Autobots. Amazon is a stark example of a company that is doing all it can to automate a vast and complex operation. It has to, given that it delivered 5 billion packages plus to customers' doors Nevertheless, Amazon still offers 24-hour customer service by phone, in addition to email and live chat services.

Leadership that can engage , coach and invest time & effort to help grow people

BFSI-Sector industry leaders are facing significant challenges to manage their talent. According to Quantum Workplace research, only 50 percent of employees in the banking sector are highly engaged and 35 percent are a retention risk. Attracting, retaining, and engaging skilled employees has proved difficult amidst the low unemployment rates currently experienced in the job market. The ability to mentor & Coach the talent in their internal journey to success is a key deliverable for today's leaders.

As employees have an increased power to seek out attractive organizations that meet their needs, banking industry leaders have struggled branding themselves as an employer of choice, to both frontline and corporate employees.

And a skills gap rising amidst an industry-wide digital transformation has made retention initiatives even more difficult to navigate. Based on quit rate data from the Bureau of Labor Statistics, financial services will reach a record-high voluntary turnover rate of 18.4 percent by the end of 2021. Research shows that 35 percent of employees in the industry are considered a retention risk. Top reasons for turnover include negative perceptions of pay, Lack of career growth, Poor communication during times of change To retain top talent and maximize your success, your employee engagement strategies should be top of mind. When you regularly assess and adjust your initiatives, you can better support your employees to stay engaged, perform at their best, and drive business outcomes.

Outsource non-essential(non core)roles & process, compliance management

Outsourcing non-core and compliances not only frees you to focus on core functions but also saves you the headache of dealing with high staff turnover, inconsistencies, anomalies, delays, inaccuracies, and inefficiencies. A further benefit is you save space that would be taken up by people and equipment for these processes that you can better utilize for business growth. It allows you to keep costs under control, increase efficiency and focus on the parts of your business that you actually enjoy and are good at.

Focusing on the above-mentioned steps will surely spur the organisation to its next growth curve. Building organisations that are resilient and on an acceleration mode towards the destination. Increasing meaningful engagement and managing attrition, building a great talent pipeline.

At BYLD group we engage in the complete lifecycle of an employee right from hiring to superannuation with HR processes, Assessments, Training & Development, leadership development & executive coaching, career pathing and career coaching. We also work in staffing both on rolls as well as off rolls. We can be your outsourced arm for all non core functions like compliance Should you want to talk to me about how this could be customised for your organisation you could reach out to me on cp.aac@byldgroup.com

Sources - Economic Times, Times jobs, People matters, Quantum research, Mckinsey research, Bain & Company research

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