

BFSI GLOBAL TRENDS FY 24

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BANKING & FINANCIAL SERVICES



INTRODUCTION

The financial volatility unleashed by the pandemic has opened the doors of opportunity for Banking and Financial Services (BFS) companies. Technology-driven digital transformation is expected to drive further shifts in this new normal.

The industry will witness the adoption of innovative technologies driven by emerging trends. BFS organizations will increasingly undertake digital transformation to broaden their capabilities, and maturing FinTechs will forge partnerships that drive disruptive growth and customer-focused innovation.

Here, we explore some trends that will shape the future of the BFS industry.

BFS INDUSTRY TRENDS



ARTIFICIAL INTELLIGENCE

AI in BFS market is projected to reach **\$64.3 billion by 2030**



ESG

A recent McKinsey study concluded that a better ESG score translated to about a **10% lower cost of capital**



LOW-CODE

Low-code tools will be responsible for **65% of application development** by 2024



CLOUD PLATFORMS

Migrating to cloud platforms not only helps save cost, but also takes away the burden of have on-premises infrastructure



CYBERSECURITY

According to Gartner, by 2024, organizations with a robust cybersecurity mesh architecture will witness a **90% reduction** on average, in the financial impact of individual security incidents



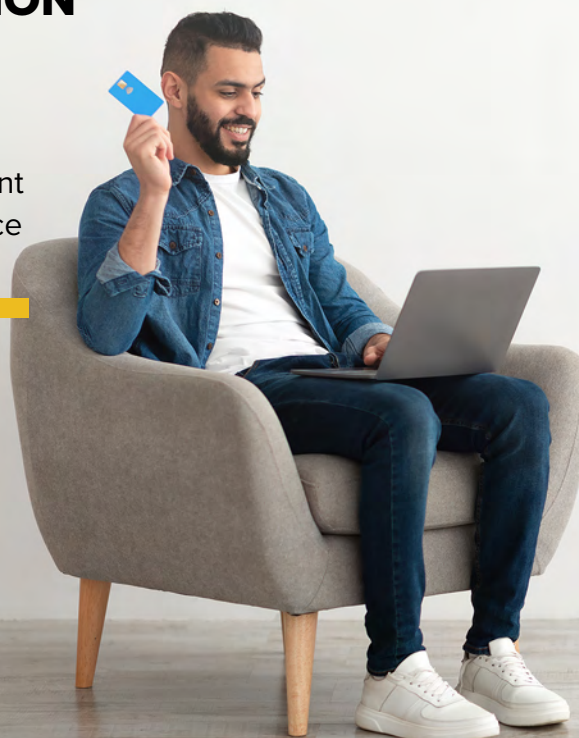
HYPER-PERSONALIZATION

Over **70%** of consumers across all age demographics say personalization is important to their banking experience



OPEN BANKING

The number of open banking users worldwide is expected to grow at an average annual rate of nearly **50%** between 2020 and 2024



TREND 1

ARTIFICIAL INTELLIGENCE



Opportunities

The global artificial intelligence market is expected to reach **\$641.3 billion by 2028**

The overall CAGR from the AI market from 2022 to 2028 is expected to be more than **35%**

In the future, AI will be increasingly used to create seamlessly responsive services. From analytical platforms that pre-empt customer behavior to robo-advisors that provide AI-led investment services, AI-enabled BFS platforms are going to drive the next phase of the transformational evolution of the BFS industry. AI would help reduce operational costs and help organizations tap into unexplored opportunities and revenue streams.

Happiest Minds will leverage its capabilities developed in areas like Augmented BI; AI & Data consulting; DataOps /MLOps; Modern Data Stack and Marketing Analytics to open up the revenue stream for the BFS sub-Industry Group in the AI space.

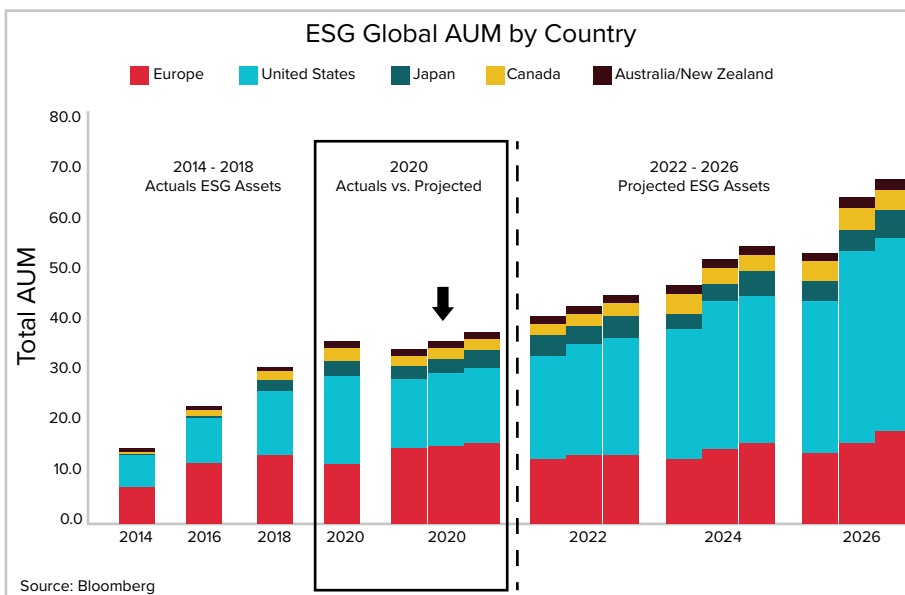
TREND 2

ESG



ESG accountability has exploded in recent years. Financial firms are facing expectations from investors to become better stewards of the planet. Banks and financial institutions are choosing to redirect credit away from carbon-heavy companies toward sustainable energy. Financial regulators are also hardening their ESG stance and introducing independent verification methods to ensure that banks are living up to their net zero pledges. In 2021, total sustainable debt issuance reached a record high of about \$960 billion, representing a 61% increase in just one year. A recent McKinsey study concluded that a better ESG score translated to about a 10% lower cost of capital. It is, therefore, highly imperative that organizations embrace ESG obligations to build highly sustainable business models in the future.

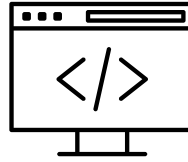
Opportunities



Happiest Minds' "Sustainable Investment Research & Risk Analytics Platform" will help the banks to integrate ESG concerns & factors into core business; help in assessment of ESG data carbon footprint, GHG emission and align ESG Framework with TCFD, SASB, EU regulations; help in reporting ESG risks across enterprise and will give transparency in reporting to investor community.

TREND 3

LOW-CODE



Pre-existing code can be used to build applications using a low-code development platform, sometimes using a UI with drag-and-drop functionality. The COVID-19 pandemic situation saw a huge surge in remote development which in turn gave a significant boost to low-code adoption. In Banking, the adoption of Low Code in Lending/Underwriting is gaining traction, whereas in Capital Markets side, the adoption is more on Reg reporting and compliance side.

Happiest Minds' strong capabilities in LCAP platforms like Appian; OutSystems and Microsoft Power apps will help its BFS customers to achieve superior CX; allow banks to configure, extend, customize, or compose certain parts of their core application portfolio in turn reducing/optimizing time which would offer more evolved provider-client engagement; will reduce IT Backlog and cut dependency on niche skills and its built-in connectors will reduce the application development cost, improving time-to-market, and enhancing return on Investment (RoI).

Opportunities

The global low-code market is slated to reach around \$65 billion U.S. by 2027 and \$187 billion by 2030 with a CAGR of 31.1%

TREND 4

CLOUD PLATFORMS



Banks and financial institutions will double down on their efforts on migrating their offering platforms to the cloud.

While the concept of hybrid cloud is already in vogue, businesses in future will increasingly appreciate the advantages of diversifying their services across multiple cloud providers.

This strategy, known as taking a multi-cloud approach, offers several advantages, including improved flexibility and security. Migrating to cloud platforms not only helps save cost but also takes away the burden of having on-premises infrastructure, thereby enabling businesses to focus on their core competencies instead.

Opportunities

With a CAGR of 17.5 percent, the cloud computing market would reach \$832.1 billion by 2025

Happiest Minds' strong partnerships with Horizontal & Vertical SaaS players within BFS domains, specially in lending and leasing space will help the BFS customers to shift towards cloud-first strategy in order to keep up with the ever-changing business environment and regulations.

TREND 5

CYBERSECURITY



The rapid advent of digitization in Banking and Capital Markets firms has exposed organizations to a series of new security vulnerabilities. These threats are now being addressed more proactively than ever before. To this end, organizations are leveraging advanced analytics to track critical activities in real time, detect potential threats and respond to security incidents promptly. Moreover,

urgency in Shift from Legacy to Cloud; Cyber & Ransomware attacks on the rise and evolving Regulatory compliance like GDPR; CCPA and more laws for identifying and reporting data breaches puts Cybersecurity as the most sought-after trends amongst BFS players.

Opportunities

According to Gartner, by 2024, organizations with a robust cybersecurity mesh architecture will witness a 90% reduction, on average, in the financial impact of individual security incidents.

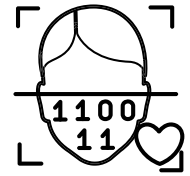
As per Gartner reports, by 2024, 30% of enterprises would deploy cloud-based Secure Web Gateway (SWG), Cloud Access Security Brokers (CASB), Zero Trust Network Access (ZTNA) and Firewall-as-a-service (FWaaS), sourced from the same vendor.

Happiest Minds is strengthening its cybersecurity services in advance threat management; digital risk & data security, identity & access management, and next gen SOC to overcome the security management challenges in the BFS sub industry group.



TREND 6

HYPER-PERSONALIZATION



To offer hyper-personalization, banks and financial institutions need to acquire a 360-degree view of their customer. This can be achieved by assimilating customer information from various sources, analyzing and correlating the data and using predictive models for offerings across channels. Over 70% of consumers across all age demographics say personalization is

important to their banking experience. The three key elements to providing a hyper-personalized experience are customer engagement, product relevance and trust. Hyper-personalization helps businesses gain an upper hand in a competitive market through product/service differentiation that goes a long way in forging long-term, profitable customer relationships.



Opportunities

Revenue growth with improved product and service positioning, providing relevant offerings at the right point in time before a customer

Cost reduction not only due to reduction in customer retention and acquisition costs but also because of automation throughout the sales process

Better customer experience because of real-time adjustment of presented offerings and better fit to customer needs at a specific point in time

The common challenges faced by the Banking and Financial Institutions in their personalization journey are as follows:

No single view of the customer across digital touch points

Conventional personalization approaches have failed to deliver genuine relevance to customer context

Expertise to structure and deliver an end-to-end personalization program across multiple tools, technologies, channels, and devices

Happiest Minds framework for hyper personalization consists of big data-led approach for an enriched view of the customer; Context weighted personalization algorithms and effective multichannel, multidevice content will combat against the aforesaid challenges.

TREND 7



OPEN BANKING

Open banking makes it possible for banks to share information gathered with the customer's consent, to third-party service providers (TTPs) to facilitate access to a wider range of next-gen financial services. The open banking ecosystem is a departure from the traditional structure where banks had control over customers' financial data; now it allows banks to share the data with other financial service providers or third-party providers for the benefit of the customer.

Opportunities

By doing away with centralization, open banking helps financial institutions or banks to share their data with other financial institutions.

Open banking makes it very easy for customers to switch service providers. This ensures healthy competition in the market based on a level playing field for service providers.

Using advanced analytics, fintech firms can identify specific patterns in customer behavior. They are thus able to offer financial products and services that are best suited for their customers.

Open banking platforms create a win-win situation by creating revenue-sharing ecosystems by letting incumbents provide access to third-party service providers through a subscription model.

Another area where open banking scores big is in offering personalized experiences to customers.

Open banking platforms eliminate transaction costs prevalent in card schemes.

Happiest Minds will beachhead in this space through its partner ecosystem

CONCLUSION

COVID-19 induced changes to the BFS landscape are here to stay. Current geo-political and macroeconomic uncertainties and emerging threats will require businesses to quickly adapt to the evolving situation by building new capabilities. They must be future-ready by developing resilient hyperconnected ecosystems, adopting digital transformation, embedding AI to enhance customer experiences and balancing profit with purpose.



INSURANCE

INTRODUCTION

The return of the Corona virus, the threat of a global recession, ongoing consequences of Russia's invasion of Ukraine are a few macroeconomic and geopolitical challenges that insurers face which possess great challenge to growth and profitability. For Insurance carriers, 2023 will be the year to build robust, sustainable, customer-centric, easy-to-scale and maintainable businesses that are ready to take advantage of emerging business opportunities. Another key area of focus is to shorten application development cycles and increase go-to-market flexibility leveraging low-code/nocode open platforms. Insurers are increasingly turning to intelligent automation to improve process efficiency through virtual operations.



INSURANCE

INDUSTRY TRENDS

FOR FY23 AND BEYOND



ESG

Sustainable insurance aims to reduce risks, with inclusion of the ESG criteria (Environmental, Social and Governance)



LOW-CODE

Low-code application development framework elevates coding from textual to visual

70-80% Enterprise Adopters



INNOVATIVE PERSONALIZATION EXPERIENCE

Offers a customer-first business approach, services online without the help of middlemen or agents, claims, risk assessment and pricing are handled solely on modern and software platforms

80% of insurance customers are looking for personalized offers



OPEN/EMBEDDED INSURANCE

Integrate innovative insurance products into its customers' purchase journeys seamlessly

3 Trillion by 2030



ADVANCED DATA ANALYTICS

Advanced AI can be used to detect fraud claims, loss assessment, claims triaging, underwriting, rating



NASCENT TECHNOLOGIES

Blockchain/smart contracts, Quantum computing, self-powering sensors, Metaverse, Augmented reality

39.5 B by 2030

TREND 1

ESG



22 leading insurers and reinsurers from across the globe worked with the United Nations Environment Program Finance Initiative (UNEPFI) to develop the first comprehensive guidance, The Principles for Sustainable Insurance (PSI) for the insurance industry to help chart insurance sustainability risks. The purpose of the PSI Initiative is to better understand, prevent and reduce environmental, social and governance risks, and better manage opportunities to provide quality and reliable risk protection.

The PSI guide covers four key principles:

1

Insurers to embed environmental, social and governance issues relevant to insurance business in decision-making

2

Insurers to work together with clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.

3

Insurers to work together with governments, regulators, and other key stakeholders to promote widespread action across society on environmental, social and governance issues.

4

Insurers to demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the principles publicly.

Opportunities

Financial firms are facing expectations from investors to become better stewards of the planet. Financial regulators are hardening their ESG stance and are introducing independent verification methods to ensure that banks are living up to their net zero pledges. In 2021, total sustainable debt issuance reached a record high of about \$960 billion, representing a 61% increase in just one year.

SUSTAINABLE INSURANCE PRODUCTS

Exclusive products promoting hybrid and electric vehicles, eco-friendly buildings, commercial institutions with certified devices/machines

SUSTAINABLE CLAIMS MANAGEMENT

Use of environmental friendly or recycled materials
Promote digital correspondence
communication over printed documents, repair/reuse instead of replacement

SUSTAINABLE UNDERWRITING

Exclusion of certain activities controversial weapons, tobacco, coal, arctic drilling

Happiest Minds “Sustainable Investment Research & Risk Analytics Platform” will help the Insurance player to identify, access, and integrate the ESG risk factors into the underwriting decisions. In product design, it will render services to develop products with a positive impact on ESG and in claims management it will adopt fair practices (use of environment friendly or recycled materials) when responding to the Client’s claim.

TREND 2

EMBEDDED INSURANCE



Embedded insurances are motivated by changing client demands, which are prompted by a tech-savvy user. As the number of clients adjusting to new technologies grows across all industries, the need for a point-based and tailored offering has grown. As online goods sales evolve, so do sales of integrated insurance products.

Arriving at the right product for the right market requires understanding the digital touchpoints, which plays the key role in understanding customer behavior. Technology, data, and AI are the key drivers in the value chain which help in the right positioning of the product, personalization, increase in customer satisfaction and reduction in operational cost.

Opportunities

Embedded insurance veteran Simon Torrance quotes this to be a **3 Trillion USD market opportunity**

To adopt embedded insurance, insurance carriers should embrace open insurance and take an API's first approach.

Happiest Minds is working on multiple API-first solution offerings leveraging its InsurTech low code partner ecosystem (Appian, ServiceNow and OutSystems) which co-exist with core insurance products.



TREND 3

LOW-CODE

In the last decade, insurance carriers fared well in migrating away from age-old legacy system to sophisticated insurance products. But the average time taken for the transformation was in years and by the time they migrated, what was once considered advanced systems has now started to become legacy. Even with some of the modern insurance products, building custom APIs can be complicated, time-intensive, and expensive. Ever increasing expectations from the customers, brokers, and MGAs, warrant an agile and effective solution by carriers.

Given that a considerable investment has already been made on the core insurance product, scrapping, or replacing systems with a new, off-the-shelf solution probably isn't an option. In one of the recent webinars conducted by our partner Appian, insurers listed below the challenges while modernizing the core system, which they wanted to do away with.



Opportunities

Given the above challenges, Low-code platforms come to the rescue. Famous Low-code platforms such as Appian, Service now, OutSystems offer robust integration framework which can seamlessly communicate with the underlying core products. These platforms also come with an ecosystem of inbuilt tools and accelerators, which helps insurers handle both functional and non-functional requirements at ease. Example: Appian has an inbuilt Intelligent Document Processing (module), which can be used more for most of the inbound document automation. Low-code platforms democratize access to development tools to a great extent, thereby enabling non-technical and business users to be part of the software development and maintenance at a reduced cost.

Forrester Research says the total spending on low code is forecasted to hit USD 21.2 billion by 2022. Gartner forecasts that low-code application platforms will account for 65% of all app development by 2024. McKinsey claims that digital collaboration and integration have the potential to unlock more than \$100 billion in value. By 2024, 75% of large enterprises will be using at least four low-code development tools for both IT application development and citizen development initiatives - Gartner.

Happiest Minds has developed B2B and B2C straight through claim processing solutions leveraging the LCAP platform to tap the aforesaid opportunities

TREND 4

ADVANCED DATA ANALYTICS

A McKinsey research shows that accelerating investments in digital and advanced data analytics will be the “difference between slowly declining and flourishing” businesses in the insurance sector. The strategic importance of data and advanced analytics is well received lately in the insurance industry. Renowned insurance products like Guidewire and Duck Creek offer inbuilt analytics solutions which can be easily incorporated to derive insights from the underlying data.

There are other 3rd party solution partners offering niche, prebuilt analytics solutions. Given the plethora of choices, insurers can now focus on the use cases and strategy and let the solution partners take care of the technical challenges.

Opportunities

Policy Management

- Usage based insurance with connected devices
- Improved real-time risk management and underwriting
- New products matching customer behavior

Claims Intake

- Intelligent Document processing for automated claim intake
- Analytical claim triage, scoring & segmentation

Payment

- Straight through invoice processing for small loss
- Predictive analytics for subrogation detection

Claims Processing

- Detection of fraudulent claims
- Automated appraisal-damage evaluation & estimation

Happiest Minds will leverage its Advanced AI offerings to detect fraud claims, loss assessment, claims triaging and in the underwriting space.



TREND 5

INNOVATIVE PERSONALIZATION EXPERIENCE



Offering a customer-first business approach services online without the help of middlemen or agents is one of the key-focus area insurance carries post pandemic. From end customer, the attitude towards sharing personal data in return for a cost-effective insurance product has greatly improved in the recent past. Open Banking and Open Insurance has resulted in certain standards such as GDPR, which boosts customer confidence in data sharing.

From an insurance product front, most of the modern insurance products are built with the target of improving the insurance business process. The target audience for these products is primarily policy underwriters, adjusters, claim handlers and supervisors. In the personalization journey, thorough thought should be put into reusing as much existing product features as possible and seamlessly add additional personalization features.

Opportunities



AI and chatbots to personalize communications



Usage based premium for auto insurance with connected devices



360° customer view with omnichannel interface



Personalized insurance product offerings and coverages based on spending patterns and life events



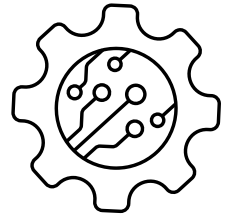
Solution offerings that co-exist with core insurance products

Insurance carriers have go-to-market systems that rely on broker/dealers, agents, general agents, and back-office personnel to underwrite a policy with vast amounts of data (structured, unstructured, and semi-structured). Contacts rolled up through a hierarchy and a data model that can be visualized. Happiest Minds with its 360-customer view can easily navigate the relationship.



TREND 6

NASCENT TECHNOLOGIES



Some technologies which are on paper look like a great value add but are not prioritized either due to other demanding customer needs or lack of funding or lack of infrastructure. In one of the recent press releases, the CEO of Europe's Zurich insurance said, "As cyberattacks grow, they will become "uninsurable.". The problem landscape for the insurance industry is evolving rapidly and some of the technologies covered which are in nascent stage can be a game changer in the days to come.

Opportunities

	Edge Computing	Distributed open IT architecture. Data processed locally rather than being transmitted to central server. Lower data processing costs for insurance solutions leveraging IoT/wearables
	Decentralized Digital Identity	Trusted digital identity that can be securely shared between identities Could play a key role in fraudulent claim/payment because of sophisticated means to verify one's identity
	Self-powering Sensors	Self-powering sensors are wireless, energy efficient disposable sensors Low-cost sensors can be deployed to monitor and track the state of insured perils
	Blockchain Smart Contracts	Smart contracts records transactions in a peer-peer building blocks Claim intake or payment based on predetermined events could be initiated from smart contracts
	5G Wireless Technology	Offers peak data speed, low latency more uniform user experience Faster data speed key in collecting data from autonomous devices and wearables for better insurance process insights

Happiest Minds building capability in Smart Contracts using blockchain technology and also developing solutions in IOT space in the areas of Vehicle Insurance and smart building insurance.

CONCLUSION

In the past, insurance carriers that were dependent on heavy legacy architecture are in the process of streamlining these systems. In parallel, they want to position themselves more digitally forward and have already started their modernization journey by adopting emerging technologies from Insurtechs/IT service providers into the offering mix.



SUBHASIS BANDYOPADHYAY

VP, Domain Head - BFSI

Subhasis Bandyopadhyay is the DBS Domain and Industry Group Head - BFSI. He is instrumental in cross-functional collaboration with Technical/Delivery team to improve the service offerings of Happiest Minds to the clients and build larger customer and partner ecosystem. He is responsible to build the domain capabilities and expand the digital business footprint of Happiest Minds.

Subhasis comes with a rich industry experience of 30 years in Banking, Payments, Risk & Compliance and Capital Markets. In his previous roles, he has provided leadership and strategic direction for Banking & Capital Market solutions, domain consulting, alliance management, domain competence building.

During his career, Subhasis has been responsible for Presales, Pursuit Management, Product Alliance, Solutions and win strategy for previous employers. He has played a pivotal role in developing BFS solutions in Blockchain, ESG, AI/ML, ARVR in Banking and Capital Market space.

About Happiest Minds

Happiest Minds Technologies Limited (NSE: HAPPSTMNDS), a Mindful IT Company, enables digital transformation for enterprises and technology providers by delivering seamless customer experiences, business efficiency and actionable insights. We do this by leveraging a spectrum of disruptive technologies such as: artificial intelligence, blockchain, cloud, digital process automation, internet of things, robotics/drones, security, virtual/ augmented reality, etc. Positioned as 'Born Digital . Born Agile', our capabilities span digital solutions, infrastructure, product engineering and security. We deliver these services across industry sectors such as automotive, BFSI, consumer packaged goods, e-commerce, edutech, engineering R&D, hi-tech, manufacturing, retail and travel/ transportation/ hospitality.

A Great Place to Work-Certified™ company, Happiest Minds is headquartered in Bangalore, India with operations in the U.S., UK, Canada, Australia and Middle East.