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Changemaker conversations

Context

Big questions shaping CXO priorities for the next decade

"How can I embed the bank in my customer's everyday life decisions?"

"What am I supposed to do to establish synergistic ecosystem to deliver value to the customer?"

"How should I build phygital experiences to secure and strengthen relationships?"

The biggest challenge for banks is that a significant number of finance journeys are happening outside the banking ecosystem. Growth is now driven by platforms such as Grab, PayTM, Uber, Uber, Apple, Amazon and other digital leaders. The only way a bank can capture more of that demand is if they become part of those ecosystems and therefore, making banking invisible and embedding it deeper into customers. It also requires leaders to keep pace with the unparalleled technological disruptions that presents new opportunities for them. We see banking leaders embracing this change and striving towards becoming the digital banks of tomorrow. This exclusive series of Changemaker Conversations captures the possibilities of the future from Chief Digital Officers, Heads of technology and innovation and Chief Experience Officers from leading banking institutions in the Asia Pacific.

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Winners of tomorrow will own customer journeys

Anjani Rathor
Chief Digital Officer, HDFC Bank

Building a frictionless banking world for consumers.

The industry is witnessing a complete facelift from what it was 5 years back. We see new digital habits being inculcated among customers. There is a growing need to support higher level of flexibility, variety, and convenience for establishing long lasting relationships. While we made great progress in opening of bank accounts through initiatives such as the Jan Dhan Yojana, we still have some way to go before they are all engaged users of the banking ecosystem.

We, as banks, have built ourselves around the products and services that are offered – liabilities, assets, payments and so on. And to ensure a robust banking system supports it, we impose stringent controls on who can open a bank account, need solid documentation, and manage strict compliances. . But it is complex and creates friction at multiple touchpoints, leading to less than desired adoption and consumption of services.

Building a frictionless banking world requires us to be customer-focused, established on the principles of simplified customer journeys. Especially in the Indian context, where diversity is at its peak whether in terms of language, culture, and/or religion. Banks need to simplify banking to such an extent that the customer does not have to depend on language to transact, save, or borrow. Imagine banking driven by visuals and iconography and onboarding becomes as simple as getting started on a smartphone. Empower the customer so that they understand any product or service, conduct any transaction, and manage their banking portfolio without any intervention.

As we enter a new era of hyper competition, seeking more growth, we need to recalibrate with a sense of urgency if we must succeed. It is not about us; we need to centre ourselves around the customer. It was my friend who told me this harsh reality,

"No one wakes up excited saying I am visiting the bank today". And neither should that be the case.

The playbook to win is to become customer centric.

Banking is about making our lives better, it should be seamless, invisible and should embed in our journeys and help us succeed.

This shift in the definition will open a world of new opportunities and this is particularly true in markets like India. The current usage of banking services can be enhanced significantly. Customers remain underserved with a per capita consumption of 2-3 services, while 60% of the SMEs borrow informally. We have a huge opportunity ahead.

This can happen if we make banking fun and intuitive. This can largely be achieved by thinking customer experience across multiple channels. The customer should be able to use their text messages to interact with the bank by just writing a "Hi" and the response is personalised with your name and slowly moves from an automated bot to an agent depending upon the nature of the request. Interacting with us should be as easy as talking. Just say – "Hey Eva, what is my HDFC Bank Balance?" Eva then responds by saying – "We have just sent an OTP on your registered mobile number, please authenticate yourself". The moment I authenticate the OTP, Eva speaks out my account balance. It is simple and joyful for me as a customer to go through this journey. In similar ways, we need to customise delivery across all physical and digital channels. The real test is when we simplify product and channel journey to an extent that an 18-year-old metropolitan and a 60-year-old rural person can easily understand. Hence, to win we have to be very observant at each channel and every customer touch point.

Agile innovation akin to a technology company

Technology helps us overcome friction and create growth opportunities; it will now enable us to serve segments that were not addressable before. Giving a short term Rs. 2000 (USD 25) loan to a vegetable vendor maybe possible through technology as our overall time and cost of underwriting the loan and conducting a KYC significantly comes down. It will be entirely processed and managed digitally. It will be based on the strategy to simplify each customer journey with the extreme understanding of customer's day-to-day needs.

The bank must build customer intimacy and establish empathy. We should be able to identify opportunities and reimagine them. We need to challenge ourselves with the question, if we were a technology company and starting a bank today, then how would we do it? They say

"the ability to visualize is far easier than the ability to execute".

Realizing this vision for an established bank such as HDFC Bank is possible through technology and innovation.

We start by looking at existing customer journeys and discover points of friction. Manifest customer centricity into these user journeys, how simple it can be, and how can we overcome failures in the system. Otherwise, we will create barriers to adoption. And that barrier is “Come over and talk to our smart banker, we will solve your problem”. We have stopped you from the ability to solve the problem yourself. So that is a friction point. So, the differentiation is how can we make it simple and easy. If you walk into a well-designed mall, the flow of the people from one floor to the other is in a manner that you can go and identify a store, you can easily find what you want. It's so simple to move that the whole flow is thought through. Visiting a shopping mall is a joyful experience with time well spent. Likewise in banking, customer centricity is required at a level, where

we become invisible players in helping people achieve their life goals.

Building a customer-centric bank

Ketan Samani
Chief Digital Officer, China Developmental Financial Holding Corporation

Financial industry incumbents should deploy change at the same speed as market demands!

Customers view banking with a completely different lens; their preferences and needs are continuously changing. Financial institutions face impact on many dimensions, from shrinking revenue margins to emerging cost models and rising technical debt. All of which impact profitability and growth. A complete facelift from what it was 5 years back.

For banking and financial services, market dynamics have changed since the growth of neobanks, digital native businesses, and fintech platforms. The new players are focused on raising competitiveness with innovative product suite and compelling customer experiences on their platforms. Many big platform companies have established strong foothold by integrating financial services offerings in their ecosystems. For the incumbents, managing the existing infra, cost maintaining legacy systems and processes is weighing on their agility to respond to these challenges.

And still, we drown ourselves around bank processes rather than customer problems, resulting in us serving the bank's needs. In turn, we miss the big picture – the customer and their needs. When what it takes to succeed and achieve a frictionless banking world is customer-centricity. We need to ask ourselves,

"How can we innovate to deliver a world-class customer experience?"

#1 Finance is important consumer; banks aren't

Integrated experiences, irrespective of the platform, are what customers want and need in today's industry. Financial institutions must step out of their comfort zone and think beyond existing structures. They need to create revenue opportunities through partnerships. To achieve this, banks can explore three partnership strategies:

- Banks and financial institutions can be participants
- Banks and financial institutions can be orchestrators
- Banks and financial institutions can build an entire partnership ecosystem from scratch.

However, "building from scratch" is not the banks' strong suit. From a technological standpoint, it is no doubt that fintechs are more agile. From a technological standpoint, fintechs are unquestionably more agile in terms of speed and therefore partnering with key technology or fintech players could proof to be a win. This is because both partners bring value, bank provide benefits such as regulatory and compliance expertise and fintechs bring agility and CX.Because the ecosystems are expanding in mature digital markets, banks who delay in development their strategies may face many challenges. Still, other heavy-hitting concerns persist for banks.

How will banks be able to maintain their advantages while still being able to participate or orchestrate? And how can a bank become the ecosystem's electricity? - because finance is important, banks aren't.

Financial institutions are enablers, however now there are many other industry verticals players who can substitutes financial services (though not comprehensively), albeit much better than banks, especially when it comes to efficiency, service bundling and overarching customer experiences. Banks need to ensure good governance remains in place, however they can add significant value to themselves, their cross industry partners and the end consumers by keeping complexity within them and allowing financial services to be consumers through any means acceptable by consumers.

Banks are embracing embedded finance to becoming more prominent by using their systems, robust processes, governance to powering non-proprietory channels. This would make them inviable, yet relevant.

#2 Build versus Partner

Although there may be differing options based on market dynamics within each markets, two possibilities for banks could be explored – first, to build digital spin-off with cross industry partners that can help attract new consumer segments. The second is to partner with a digital platform and be a license sponsor to cater to the niche targeted segment. In both cases, banks could own the customer journey though the partnership and can support disruptive innovation based on its risk appetite.

The most delicate aspect of partnering with Financial Institutions is the profit sharing. Since financial services is low margin business, it relies on sales volume to remain viable, therefore sharing margin with partners become an challenging concept. However, the risk and rewards are plenty if both partners commit to building consumer centric offers that creates loyalty without incentives.

#3 Ecosystem strategy plays a strong role in expanding in new geographies

Banking outside sovereign boundaries is not possible in today. However, a model could be design to scale to other geographies with current digital technologies. Currently with cloud and associated based infrastructure allows institutions to expand their virtual banking models with leaner costs. Therefore, finding strategic partners with scale in similar geographies would enable digital ecosystem business models at speed.

The partnerships model between financial institutions and other strategic verticals, e.g. Healthcare, Telecoms, Manufacturing, Transport and F&B could help banks expand geographically. The major development that can support the success of this model is in having embedded financial systems that allow to plug and play with specific rules.

#4 Survival of the ecosystem is a good measure of success

If I had to bet what measures will lead to ecosystem success, it would be difficult to predict. The ecosystem's survival is a good indicator of success, while its growth demonstrates adaptation. The ability of an ecosystem to grow and sustain itself is crucial to its survival, which means that if one component of the ecosystem fails, the rest will fail as well - a domino effect.

Other measures of success include product innovation, robust, frictionless, and intuitive customer experience and other tangible measures, such as:

- How much time is a user spending on a particular app?
- How often is the user visiting?

It is crucial to account for consumers' behaviour as this will indirectly reflect the current financial efficiency of banks. The transition needs to happen; banks must move from being product-focused to customer-centric. Still, the consumer utilises the bank to achieve a life goal. As a result, there exists a dichotomy. Yet, banks need to understand what a customer-centric business can do and how it will work wonders for them.

An excellent customer-centric business model should allow the consumer to achieve their life goals frictionlessly with the aid of the banking and financial services suite.

If banks want change to happen, they need to act now. The customer-centric business model is the way of the future and will be for the long run. Banks need to consider these practices when implementing a customer-centric model to attain a remarkable degree of success.

Redefining customer engagement success for the bank of tomorrow

Manpreet Singh
CX Leader, Senior Managing Director & Group Head for Customer Experience (CX), CIMB

COVID-19 has amplified and created digital savvy consumers that demand easy and effortless interactions. This has indeed pushed many organizations to accelerate and augment their digital agenda by making rapid adjustments on existing operating model to fulfill these requirements.

One needs to be mindful that the effect of COVID-19 goes beyond this, as consumers believe that their lives will be very different in the foreseeable future. They feel more vulnerable, less secure, and less in control than before. While behaviors and interaction levels have already changed dramatically (from physical to digital), it is the evolution of customer needs, attitudes and emotions that will most disrupt how organizations compete.

Empathy and building trust will stand out as key in fortifying the customer engagement models effectively.

Innovation opportunities exist for banks to engage with their customers beyond providing a frictionless and cost-effective solution. Investing in customer relationships by creating trust building moments, especially in times of difficulty, will be repaid with enduring customer loyalty. This can be enabled through:

Acting with Integrity – doing what is right for the customers (treating customers fairly) through needs-based selling, transparency, be flexible, providing suitable advice, fair treatment and providing peace of mind.

Going the extra mile in resolution – accelerate our focus in providing customers solution by owning and fixing it with urgency. This includes keeping them fully informed on resolution progress and/ or providing temporary solution while trying to resolve the problem/ issue.

Demonstrating empathy during engagement to drive deep(er) rapport and emotional connection – showing that we care on the safety and wellbeing of customers by making them feel valued/ important. This can be executed through a series of initiatives such as putting them back in control by guiding them digitally, setting proactive and personalized engagement as a standard in communication, provide reassurance on safeguarding personal data and security, etc.

Minimizing customer effort by creating frictionless processes – The pandemic has amplified the need for easy access to products and services, hence we need to consider the end-2-end customer journey (rather than siloed process) when removing unnecessary obstacles to enable them to achieve their objectives quickly and easily.

Tackling the problem of vulnerability through empathy and trust building will help banks improve their customer loyalty and determine the success of their digital banking platforms by ways of customer engagement.

Case in point is CIMB's measurement ecosystem, which has always been at the forefront to drive change via continuous improvements using direct and indirect data points (from top-down and bottoms-up levels). These data points help banks to understand customers and guide them on how to meet customer needs and demands.

Considering the pandemic and the change in customer behaviors towards digital adoption, CIMB has expanded additional components within their existing framework for greater value.

This includes:

> Efforts in building digital dashboards (both B2C and B2B) to provide a holistic view on our performances based on 3 core areas
> - Customer utilization – digital adoption and usage conversions
> - Customer fulfillment – digital availability performances (i.e., system uptime)
> - Voice of customers – overall experience and complaints

> Expand survey rollouts specifically to measure customer experience on identified digital journeys (e.g., credit card and savings account e-application) and transactions (e.g., remittance, unit trust and gold using CIMB Clicks)

While banks are always working to continuously improve themselves using data analytics, another important tool which is being seen more in banks to improve customer engagement is gamification.

Gamification can be a value add for organizations to nudge customers towards certain behaviors. Customers are then rewarded for these behaviors. Gamification is beneficial provided it is done right from a design + delivery perspective by considering the target audience and maturity level. This approach is deemed helpful to improve or optimize customer engagement (and potentially drive sustainable engagement). However, gamification might not be suitable for everyone. The first step is for the organization to fully understand the behavior and needs of the various segments/clusters they are targeting by mapping them from a "playful" point of view.

Personalization is another broad agenda where some organizations may invest in complex technology or software that make recommendations based on past purchases or historical search. There are also other ways to personalize customer experiences (i.e., quick wins) and this could be guided through 3 areas:

- Recognizing needs (e.g., based on what we observe in the behavior of our customers when we design)
- Creating emotional resonance (identify what are the memorable moments)
- Show restraint (balance in information and redundancy, i.e., reduce or no information overloading)

Personalization is another broad agenda where some organizations may invest in complex technology or software that make recommendations based on past purchases or historical search. There are also other ways to personalize customer experiences (i.e., quick wins) and this could be guided through 3 areas:

- Proactive notification to customers on credit card spend which are entitled for tax relief
- Proactively reach out to customers on options to enable SI for payments being done on a regular period
- Enabled Clicks app personalized banners and alerts which are relevant to customers

Customer engagement has been and will be important for banks. The only thing that has changed is how banks and customers interact with each other. Traditional banks are rapidly transforming towards digitalization and identifying the success of digital channels in creating an exceptional customer experience. Many banks have started reimagining how they engage with their customers.

If done right, customer engagement can reap fruits for the bank in terms of immense customer loyalty and trust for years to come.

Visionary perspective of payments in 2025

Praveena Rai
Chief Operating Officer, National Payments Corporation of India (NPCI)

Looking at payments from a top level view – it involves messaging, clearing and settlement. The evolution and adoption of payment platforms occur when there is a significant innovation done on either front. On the impact side, digital payment platforms which are constantly shaping and re-shaping corporate and retail business will need to innovate to supply to the ever evolving Fintech landscape. We do see pockets where cash is still prevalent and bringing in user convenience and efficiencies in these segments has always boosted adoption of digital payments.

Reducing friction in recurring and one time payments will be another driver of financial inclusion There are segments which do have a provision for digital payments, but require better efficiency & user experience, especially during checkout. Today RFID based tolling via 'Fastag' is available and is seamless in India, but we still see cash counters and certain waiting period. With GNSS based tolling, we can look to do away with such cash queues or gaps in the payment experience. The GPS based tolling will provide a superior experience and do away with the inefficiencies.

Growth opportunities for payments in the future:

Currently, payments are typically viewed as a transaction service wherein funds are debited from a bank and credited to another bank account. Traditional business have a well-defined integrated value chain for goods/services delivery to customers. Payments has been viewed as a core layer which helps with the fulfilment. Seamless integrations between a typical ERP stack and payments stack in the B2B industry can help to reduce the working capital requirements and provide better turnaround of resources, thereby improving fund rotation and even boost the GDP.

Going forward, payment platforms of the future will seamlessly embed important functions such as customer onboarding as well as post transaction support. This will enhance the perceived value of the same goods/services and in some cases may be a customer delight option. This is applicable not only for corporates, but retail and government based payments. The One Time mandate functionality on UPI is redefining the way retail investors apply for IPO. The user gets to view the contract details, bid amount, lot size, etc. on the UPI App and fund management is entirely automated after the allocation of shares. Within a span of 3 years, 50% of all retail IPO applications have moved onto UPI.

India is a diverse and fragmented ecosystem. Mobile and card based payment platforms such are UPI, IMPS & Rupay respectively provide the growth in mainstream digital transactions. The need to have basic payment services to serve segments which are not using smartphones, or not having an active internet connection and in some cases, not having an active bank account is one untapped area. As per latest reports, there are 500 million feature phones in India which do not have access to internet.

The need of conversation-based payments riding on the telecom network seems to be the natural progression for the ecosystem to innovate.

The RBI Governor has recently launched 123 Pay which is a voice first payment mode and aims to leverage the UPI platform to cater to use cases such as utility bill payments, P2P fund transfers and more. Voucher based payments will also boost digital spending and inclusion for the masses who are not having an active bank account due to some reason. E-Rupi is a voucher based solution which will aim to mobilize government subsidies worth Rs 4.3 lakh crore in a transparent and secure manner to the existing DBT beneficiaries who do not have an active bank account.

How can payment fraud be reduced and avoided:

Payment frauds are ongoing and scammers are coming up with new ways to cheat people off their money. The most common forms of payment frauds are phishing and OTP compromise. Although, there are continuous campaigns run by the government as well as awareness by financial institutions, digital platforms and ecosystems need to find ways by which they can increase awareness and reduce fraud.

The digital ecosystem connects various platforms in a secure manner and with the adequate compliances, the digital transactions are processed between these platforms. There are a reasonable number of data points which can be used to build trust for a user.

> AI/ML based models are extremely effective for cross platform payments. It also allows the participants to convey a risk score which the model can consume for better risk management. This allows the network to leverage on the tech capabilities of the partners for fraud risk prevention.

> Payment products should have “security by design”. There is consistent path to a genuine user flow and if we weed out the non-genuine (fraudster) flow, the avenues to do fraud on the payment platform reduce further.

> New and innovative methods to impart awareness are also required to educate the user. Owing to large scale content distribution over social platforms, it becomes increasingly important for organizations to get creative and re-think the way they communicate their awareness messaging to the users. Simple sending and SMS about not sharing OTP/PIN will not cut it anymore.

We have been able to successfully create an industry wide awareness initiative called "UPI Chalega" where the messaging theme is about the safe & correct usage of UPI. Such efforts help to pool in the resources to effectively tackle the common problem of awareness which is the root cause of users losing trust in the payment platform. The "UPI Safety Shield" campaign has been effective to impart awareness to the masses regarding safe and contactless payments during the COVID-19 lockdown.

Cross-border payments need a transformation through digital innovations:

A major market to tap in and a scope for innovation in payments is cross-border payments and remittances. Global corridors have not yet opened up to instant payments. There is room to simplify the international remittances. In this era of complex globalization, the need for extending simplified payment services across the globe becomes ever so important. Cross-border payments have existed for a while but there are technical, compliance and AML barriers which need to be cut down for making the payment experience truly seamless for the user. With the ability to link to other networks, we can extend the simplified & standard payment experience to users all around the world.

Corporates have always been early adopters of technology, however, innovation in retail business needs to catch up to provide ease of doing business.

The CIO of Tomorrow: What will it take to become a great banking CIO

Suk-Wah Kwok
Chief Information Officer, International Finance Corporation – World Bank Group

While the BFSI industry has always been a late adopter when it comes to technology when compared to other industries, it has now taken a 360-degree turn to transform itself with new and disruptive technologies. However, trying to integrate the legacy systems with new and emerging technologies can be a CIOs worst nightmare, whose role now is not limited to IT and staying in the server room.

CIOs today are now critical partners to business leaders for driving growth in their banks or financial institution. CIOs need to have a technical background and at the same time can identify what the business wants them to do. They must understand the business requirements and then produce the technology which meets these requirements. CIOs should drive continuous technology awareness discussions with the business to effectively implement and drive the right digital tools. CIOs of today need to be proactive and create sustainable ways in which they can help their business partners achieve results that the business didn't even know is possible.

Banks are replacing their existing CIOs with somebody who is a lot more innovative and disruptive in nature.

The CIO of tomorrow will succeed through 3 distinct skills:

#1 Technology Mindset

A CIO needs to have the technical background and understanding to make decisions to steer the organization in the correct direction. Technical competence is required, not on the hands-on level, but in terms of making technical decisions that lead the company in a certain direction.

#2 Stakeholder management

CIOs work with different types of people including CEOs and business leaders. Apart from these top-level executives, they also have to work with auditors, regulatory bodies, compliance officers and their staff. This creates an inherent responsibility for the CIO to manage stakeholders most effectively.

A BFSI CIO needs to emulate skills of advocacy and inquiry when communicating with different stakeholders.

#3 Leadership

How can you lead the business onto a transformational, digital, and disruptive journey? Businesses today demand the CIO take the lead in their disruptive journey.

Lead and influence your team to deliver impactful outcomes.

How can you lead the business onto a transformational, digital, and disruptive journey? Businesses today demand the CIO take the lead in their disruptive journey. There is also a need to drive the cultural change that helps adopt technological advancements in the organisation. A business' willingness to transform the process and the behaviour will help it make better use of technology.

The BFSI industry has been experiencing tremendous shifts and changes driven by technology. To stay ahead of the competition, financial institutions are looking for leaders who can guide them towards the future; CIOs have the responsibility to make this happen with their new and evolving roles which have the potential of increasing business value and creating a strategic impact on the operational efficacy of the business.

3 ways AI will revolutionise the BFSI industry

Dr. Adrienne Heinrich
Head - Artificial Intelligence (AI) Center of Excellence
Union Bank of the Philippines

Good credit scores are hard to achieve and worse, loans are hard to obtain in the Philippines even today. Bangko Sentral ng Pilipinas (the central bank of the Philippines) indicates that approximately 44% of the country's adult population is unbanked. This hinders many from establishing businesses and discovering growth. AI is changing this, improving fair economic welfare with models to help assess leasing customers who lack traditional data by using alternative data, resulting in favourable credit scores for part of the population. This will help customers attain loans where the risk of default is low.

With each bank offering the same products and services, the room to compete is scarce. Hence, one of the true advantages that banks have over their competitors is customer satisfaction and addressing the evolving needs of the customers. This is why a great customer experience is paramount for a bank, and AI will help achieve this, elevating them to new heights to reach greatness and stand out from the competition.

AI use cases in the BFSI industry:

Digitalisation, end-to-end banking and financial processes are avenues in which AI can further accelerate the BFSI industry. Today, it extends to more than mere chatbot implementation and automation, evolving the BFSI industry, by promoting financial inclusion and improving customer satisfaction.

#1 Lending credibility

Gender imbalance is an ongoing issue in credit lending. Men frequently attain loans more than women based on the biased assumption that men will often be able to pay them back. This bias is encoded in various non-gender data fields and cannot be easily removed by prohibiting the use of gender data information. Combining responsible access to gender data with advanced machine-learning techniques can help significantly reduce the discrimination women face. This can be achieved by approving loans for customers who deserve financial support but are currently discriminated against when traditional ML model approaches or regulatory binding guidelines are applied.

A study by the World Bank highlights that increasing women's access to credit not only improves gender equality but also helps reduce extreme poverty simultaneously. On a large public dataset, it was found that organisations will also benefit from increased gender equality, as also their profitability increases, resulting in a win-win situation for everybody.

Combining responsible access to gender data with advanced machine-learning techniques can help significantly reduce the discrimination women face.

#2 Explainable AI

The trend that we are observing is that the better performing AI models are in general the more complex ones (e.g., deep neural networks) that are not so easily explained nor transparent. With the penetration of AI and digital, we must be proactive in mitigating potential risks regarding ethics and trusting AI outputs. Therefore, more attention shall be put to developing explainable and responsible AI (XRAI) so that both the data scientists and the decision-makers know when to trust that the AI output is reliable and fair. With a set of XRAI tools and frameworks, we want to get to the level where we understand the main patterns and criteria an AI model follows, how the AI model decides in selected individual cases and what kind of biases are present. Just like when you are interviewing a human being to find out whether this person is fit for the job, you now need to understand whether the AI model is fit for its job. With this in hand, the stakeholders will make better decisions for both the customers and the companies. Explainable and easy to understand visualisations of the AI output can present an opportunity for decision makers to learn so far unknown patterns in big data and even correct for potential bias on the decision maker's side. This results in a more efficient workforce, ensuring banks expertly leverage their resources and time to solve complex issues by optimizing the collaboration between humans and AI.

#3 Customer satisfaction management

Customer feedback is invaluable to improving banks' products or services. Ratings and reviews are crucial, helping banks determine what works and what does not. However, an influx of descriptive reviews can prove tedious for banks to sift through for information. Hence, AI and data science help ease this problem with natural language processing (NLP) capabilities.

NLP models will sift through the feedback, containing thousands of text excerpts to underline customers' key concerns and issues. The detailed analysis can help banks better target customer groups most important to their business strategy – by having a different action plan for gaining new acquisitions than for maintaining existing customers. AI is necessary, as it allows banks to efficiently determine the different issues that various customer groups face on the same product in a shorter period. In addition to operational efficiency, this process change will eliminate subjectivity and inconsistencies across 'readers' and allow for improved prioritisation and informed decision-making. Because of it, banks can better comprehend the customers' situation and sentiments, implementing better improvements for their products and services.

Gone are the day's AI was used merely for chatbot implementation, with its usefulness proving vital to reducing discrimination, enhancing decision-making and improving customer satisfaction. One thing is clear - AI doesn't look to slow down, and banks looking to deliver the best customer experience should take note of its prominence.

Powering inclusive growth with digital finance

Manu Rajan
Division Chief Executive Officer,
Wing Bank, Cambodia

Financial inclusion is important to drive a country's economic growth, yet its long-standing barriers continue to afflict its movement. Since then, banks and financial institutions have been discovering new ways to tackle the problem and help expand financial services access to poorer regions of the economy. Digital finance is a move towards increasing the reach of financial services to people with limited or no access to these services because of a lack of a formal infrastructure. It aims to provide cost-effective ways to deliver financial services for these potential customers.

Digital finance growth in Cambodia

The need for digital transactions and inclusive economic growth was a priority for Cambodia. The unified system Wing introduced enabled safe, secure, and real-time transfers using mobile phones, acting as the country's clear answer at the time. However, starting a Mobile Financial Services business was not enough to drive the adoption of digital payments in Cambodia. Smartphone penetration was low in 2009 and customers still had to use USSD to transfer funds. Furthermore, the USSD menu was in English, which hindered the non-English speaking population from enacting digital transactions on their phones. Also, the National ID cards were not in popular use at the time, with its potential users facing difficulties in opening Wing accounts to transact digitally. This led to Wing failing in its first attempt to drive financial inclusion in Cambodia.

Cambodia needed answers fast. With a change in leadership at Wing and the introduction of a new operating model, the bank became an overnight success. The new business model, now known as "Wing Wei Luy", uses one's mobile number as a unique identifier and carries out a financial transaction with the help of an agent. Since then,

Cambodia has experienced many firsts in financial development, including the first closed-loop plastic card for the unbanked, the first fintech mobile app, the first Mastercard for the unbanked, the first closed-loop rewards program for merchants and many more.

Today, every segment of society has identified its niche use case with Wing:

- Large Corporates to SMEs and MSMEs use it to expand their businesses digitally across the country
- Wing provides the most reliable, efficient, and convenient way to manage payroll for garment and construction workers, teachers, and SMEs by providing cashless disbursement of salaries
- Women entrepreneurs, who comprise half of Cambodia's SMEs have easy access to finance because of its partnership with USAID and WEAct, SME Bank and CGCC
- Operating costs were reduced for over 50 MFIs in disbursement and collection of microloans
- Wing's mobile app allows financial institutions to expand access to loans and saving products to more customers by using their credit scoring and underwriting

Growth opportunities for the future

Cambodia is on the cusp of another digital revolution, with the next 5-10 years highlighting how digital solutions, blockchain, an open mind and a collaborative spirit will drive the Open Economy forward. To set the ball rolling, the National Bank of Cambodia has introduced another innovation to the market called Bakong – a blockchain-based interoperable platform that enables seamless and free transactions between financial institutions, customers, and trade. This has allowed Wing to make it the default backbone of the financial services ecosystem where customers of any bank can transact with the large Wing ecosystem seamlessly.

While everybody understands the importance of resolving the problems MSMEs face, it has become a herculean task to bring different players of the value chain to agree on working together for the improvement of MSMEs' lives. This is where platforms like Wingmarket. a B2B platform targeted at SMEs and MSMEs to help digitise their supply chain come in. The B2B platform aims to provide them with access to finance, technology and market – all enabled through Wing Bank accounts and fulfilled through Wing Delivery for Quick Commerce and other logistics partners for a longer window of fulfilment.

Solutions like these are what bring together participants from multiple smaller and isolated ecosystems to create holistic value chains and address many of the challenges faced by SMEs and Corporates alike in developing economies. In fact, it is solutions such as these that will instate Cambodia as a driving force of economic growth very shortly. Add to it the possibilities of decentralised finance, innovative and well-laid-out regulatory frameworks for financial institutions, e-commerce, m-commerce and cross-border commerce, and it is more than possible that the country will break down the remaining barriers to financial inclusion in the next decade.

Empowering gender financial inclusion

In Cambodia, according to research, 98% of the SMEs are Micro SMEs and more than half of SMEs are women-owned. It is a well-known fact that women entrepreneurs struggle to have financial access across the world compared to their male counterparts, primarily because they lack collaterals that they could submit to a bank in return for a secured loan.

A recent Oxfam research indicates women worldwide are in the lowest-paid work, with 75% of them in developing regions stemming from the informal economy. This makes them less likely to have employment contracts, legal rights or social protection.

There are more women than men in Cambodia in the age group of 15 – 64. More than 60% of Cambodian SMEs are women-owned. So, it naturally provides a viable economic reason for the private sector to have Gender Inclusive growth as a strategy and spark holistic economic development.

Cambodia capitalises on it further, with 80% of the 11,000+ Wing agents being women. In addition, more than 50% of Wing's registered users and a third of Wing's employees are women. Today, among Cambodian women working in garment and footwear factories, who previously did not have any formal bank accounts and no access to easy loans in times of emergency, more than 30% of them get their salaries paid directly into their Wing Bank accounts. They are also provided with unsecured zero-interest loans with no conditions.

The bank's partnership with institutions like Pact, USAID, SME Bank, CGCC and many others help eliminate the friction that exists in women SMEs getting easy access to working capital. Now, women have access to technology platforms that integrate access to finance, technology, and markets. This level of access enables them to follow formal accounting practices that come with higher efficiencies and low/no costs of scaling up.

Digital platforms enable broader access to financial products and services based on customers' everyday needs

Wing Bank is one of the very few banks that allow a Cambodian to live a 100% cashless and digital life, as it possesses one of the largest ecosystems for digital transactions. Now, customers can order a coffee and breakfast, fill petrol, book a cab, pay their utility bills, pay back their loans, get loans, and much more from the bank's mobile app. This large ecosystem not only provides convenience to the users but also provides an efficient, scalable and low-cost digital platform for the Corporates, SMEs and MSMEs to do business.

Wing Delivery – a fleet of mobile delivery boys/girls engage in last mile fulfilment for merchant partners and MSMEs who desire to use them to expand their business

Wingmarket provides SMEs and Corporates with a free platform to digitally transact with each other

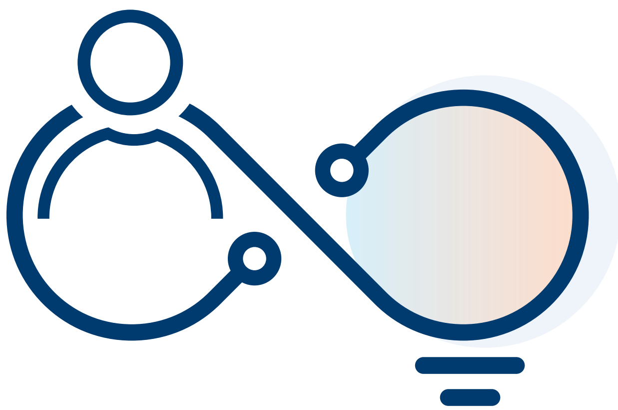
Wingmall, the B2C Shopping platform provides Quick Loan access to customers who need essential commodities or goods but are temporarily out of cash

Wing Bank leverages modern AI and ML technologies for efficient and effective loan decisioning. The fastest loan decisioning can take place in less than 3 mins

Cambodia has experienced a massive rise in its drive of an Open Economy in the past 14 years. In fact, trust was the most crucial element that played to the success of the digital financial services company. Today, Wing is one of the most trusted brands in Cambodia not just in the Fintech space, but across all categories. This trust was painstakingly built through relentless efforts in ensuring customer experience and the safety and security of the customer's transactions and money.

Way forward

Winning and owning customer journeys is the new battleground for banking CXOs. These leaders understand how to put aspirations into action and are ready to make bold decisions for growth. Future success will come from hyper-connected and localised experience platforms. Banking leaders are striving towards establishing partnerships and leveraging banking-as-a-service principle to become a part of everyday customer decisions. They are maximising the potential of ecosystem to create innovation opportunities and foster sustainability. Changemaker conversations are testament to the significant progress banks have made and will continue to do in this decade.



Platform technology solutions like Temenos Infinity, consistently rated as best-in-class by third-party analysts, empower banks to be truly digital native and deliver banking without barriers. As an end-to-end banking solution leader for over two decades, over 1.2 billion people globally rely on Temenos software for their daily banking needs.

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About Temenos

Temenos AG (SIX: TEMN) is the world’s leader in banking software. Over 3,000 banks across the globe, including 41 of the top 50 banks, rely on Temenos to process both the daily transactions and client interactions of more than 500 million banking customers. Temenos offers cloud-native, cloud-agnostic, and AI-driven front office, core banking, payments, and fund administration software, enabling banks to deliver frictionless, omnichannel customer experiences and gain operational excellence.

Temenos software is proven to enable its top-performing clients to achieve cost-income ratios of 26.8%, half the industry average and returns on equity of 29%, three times the industry average.

These clients also invest 51% of their IT budget on growth and innovation versus maintenance, double the industry average, proving the banks’ IT investment adds tangible value to their business.

Learn more at temenos.com

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