



BEING
RESILIENT

TRANSFORMING
BANKS POST
COVID-19
THROUGH
ROBOTIC
PROCESS
AUTOMATION

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Introduction

Robotic Process Automation (RPA) is an essential solution banks should start leveraging to automate their traditional manual processes and make them more efficient. This will help reduce operational risks and support operations management in banks. Intelligent RPA or cognitive automation can create significant impact. That's not all, RPA integrated with an array of technologies such as OCR, cloud can result a dramatic reduction in time and effort.

Banking industry currently is going through rapid turbulence caused by the global pandemic and economic downfall. The key business drivers are impacted heavily and as a result, revenues are taking an unexpected hit. Amidst COVID situation, banks have no option but to look at all possible levers to push their revenues and cut down costs as much as possible. Flexible and agile technology framework is becoming a necessity for banks today to enhance operational efficiency and fight against volatility or business stress. To achieve operational efficiency, it is necessary for banks to formulate a strategy for process optimization, digitization and automation. Banks have already started paying attention to back-office processes, which typically have manual interventions. However, large number of banks including the incumbents are still way behind, maintaining multiple legacy systems which operate in silos at their back-office. Often this has been ignored because Return-on-Investment (ROI) in a short-term cannot be justified. But, it is different now, COVID has forced banks to think beyond. Banks can no longer continue to depend on manual intervention in their processes. In order to deal with revenue impacts and margin pressures, banks need to rethink their operational strategies. Banks need to invest and adopt technology like RPA in automating manual processes. This approach will help banks to move one step forward towards cognitive and intelligent processing.



Challenges for banks post COVID -19

The magnitude of aftermath of COVID-19 is still unknown as we are still going through the crisis, it is obvious that this will bring many challenges in

the banking and financial services sector. The potential challenges could majorly lead to impact on operational efficiency in banks, their revenues and bank's preparedness to handle risks. Having multiple legacy systems in place embedded with manual

interventions, it makes it difficult for banks to strike the right balance between risks and challenges while ensuring business growth. Here is a brief view of the major challenges and the level of risk associated with them.

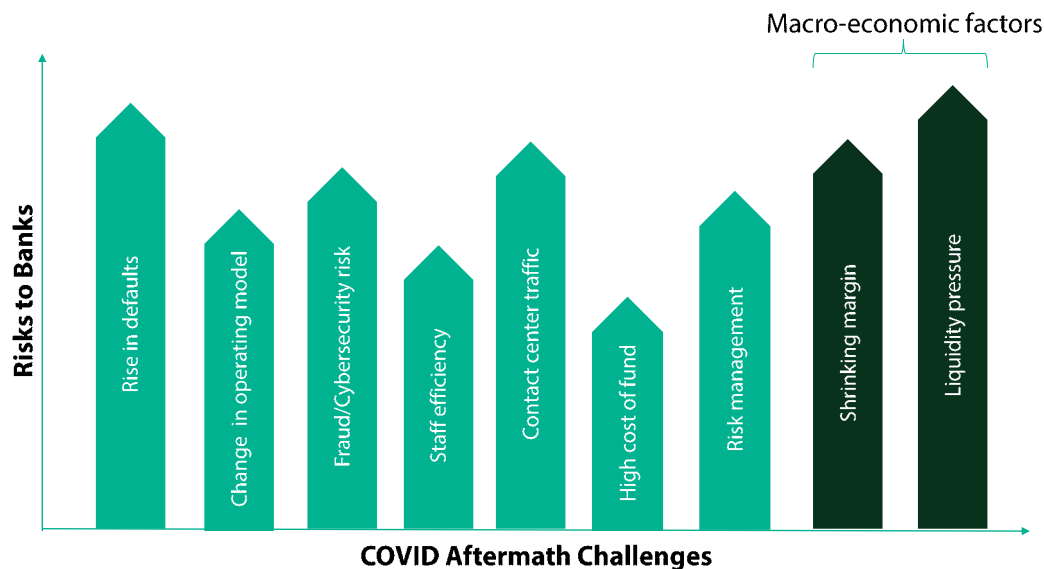


Fig1: COVID aftermath challenges & risks to banks

Rise in defaults: Defaults are rising as many retail customers are not be able to pay their credit cards/mortgages dues. Similarly, business loans would have increasing non-performing assets and this portfolio could be at risk due to forced shutdown of businesses.

Margin pressure: Global economy has either entered recession or is heading towards one. Banks have a crucial role amidst the current situation to revive the economy. With quantitative easing in place, interest rates are expected to be near record lows to boost economic activities and investments. This however could negatively hit the margins of the banks.

Cost pressure: With margins shrinking, banks need to find alternate ways to remain profitable. Also, this crisis is different from the crisis of 2008, where most banks relied on increased fee revenue to stay afloat. However, under current situation, banks have to waive some of existing fees and charges, reduce interest rates to support their customers along with loan moratoriums which is putting more pressure on the bottom-line of banks.

Liquidity pressure: Banks have been

extending the support to their customers through payment holidays on loans. With record low interest rates and sound liquidity positions just before the crisis, this should not be a problem for a while; however, if moratorium needs to be extended beyond a period, it might create a liquidity crunch for the banks.

Risk management: With shutdown on economic activities, rising level of unemployment, increased healthcare costs, bank's assets are bound to turn risky. Also, there is pressure from the government not to enforce tighter controls on these borrowers and loans. Banks need to re-assess the risk profiles of their borrowers and need to re-classify their assets.

Change in operating model: As a consequence of this current crisis, banks are seeing a major shift in the way they have to conduct their businesses, staff perform their work and also consumers handle their finances. There has been an indispensable need for the financial services firms to re-invent themselves for seamless delivery of products and services to their customers.

Fraud & Cybersecurity risk: Businesses, consumers and employees are adapting to

the new normal by working from home as a response to this situation. This has opened a potential area for cyber threat and fraud where bad actors would try their hands in exploiting the situation.

Staff efficiency: As a large section of banks' workforce would need to work from home, it would be a challenge for the staff to maintain the same level of efficiency they used to carry out at branches or back office, as traditionally the incumbents were more reliant on manual processes. Challenges could be in the form of infrastructure, environment, logistics and interpersonal. Banks should find ways to overcome and minimize these challenges.

Branch operations: Bank branches may not conform to social distancing guidelines due to their operating model. Branch operations is expected to be reduced significantly diverting traffic to other channels.

Surge in volume at contact centers: With the reduced operations at branches, the traffic at contact centers is bound to surge. Moreover, the contact centers might not always work at full strength and that would add more pressure to the agents who would be supporting.

How banks/ financial institutions (FIs) can leverage RPA to reduce the aftermath of COVID?

An important observation that is evident in current situation is that organizations that are ahead in their digital maturity curve are better positioned to handle the crisis as against those that are lagging, and banks are no exceptions. Few banks

have managed their business continuity plan better by starting to deliver their services through digital channels and given the current situation there also has been an increased adoption of the same by consumers and commercial customers as well. However, this is not the end, rather just the starting point as there is a lot more to cover. While the macro level challenges posed by the crisis are beyond bank's control, banks can try to address some

of the others by devising right strategies. Increased operational efficiency coupled with cost optimization and backed by technology can prove to be the right catalyst under the current situation. Banks need to embrace true technology enablers that can help them under current situation. One of such technology enablers is Robotic Process Automation (along with intelligent automation) which is the subject matter of this paper.

RPA in transforming key business process in banking

RPA is not a new concept that needs to be defined. It has been around since a decade, but it might not have been adopted to its true potential particularly in banking and financial services sector. RPA in its simplest form at its origin is a technology

enabler that is used to automate routine, repetitive tasks emulating human actions. However, this is not just all that RPA can do. Like any other technology it has evolved significantly over the course of time. Coupled with artificial intelligence & machine learning, it can now automate complex decision-making processes. McKinsey estimated 85% of organizations'

900+ processes can be automated. As per Gartner, RPA market will grow at compound annual growth rate more than 41%. Before getting into the evolution journey, let us see few of the benefits that RPA brings to the table.

The evolution of RPA from basic rule-based automation to intelligent automation is depicted below:

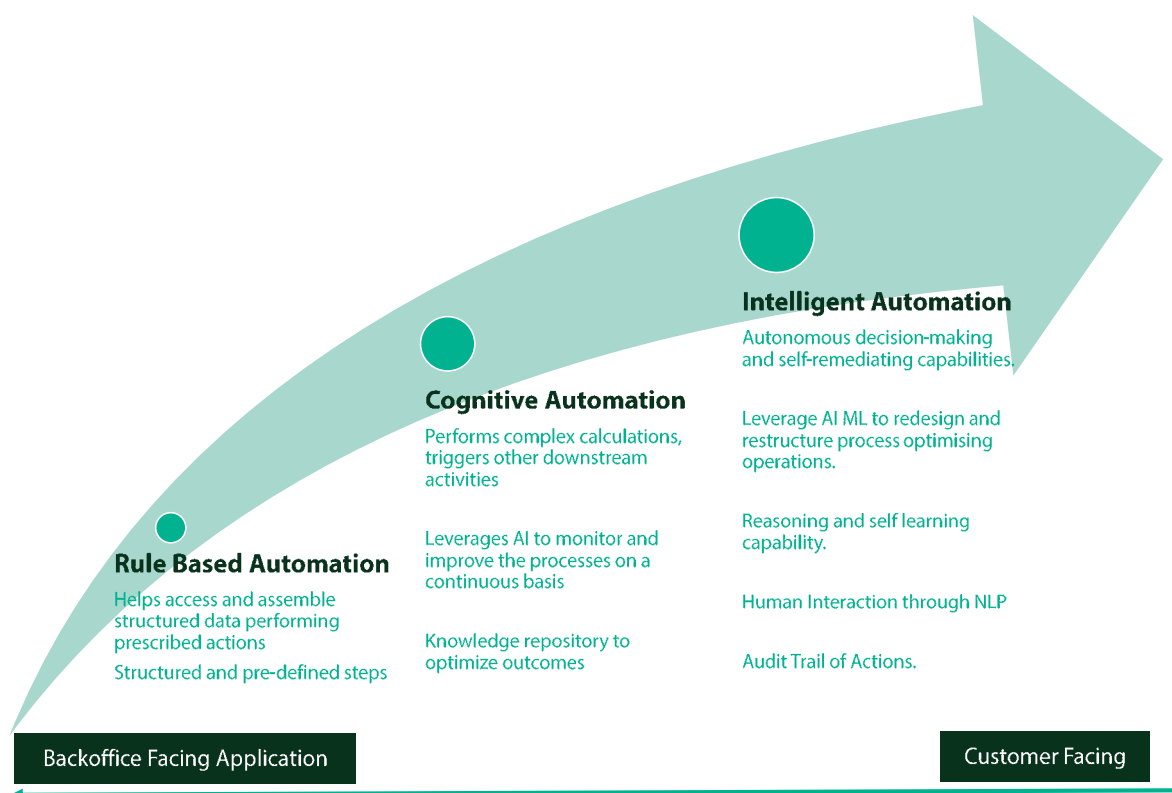


Fig2: RPA Cognitive Meter in Banking Application

Having spoken about the evolution of RPA, it doesn't necessarily mean that basic rule-based automation is not relevant anymore. It depends upon the processes to be automated, whether

a simple rule-based automation or a more advanced cognitive automation is needed. Below is a concise view of banking processes which have a high potential for automation and can be

considered as per the level of maturity required in automation. Business priorities and challenges derive another dimension helping banks in automation strategy.

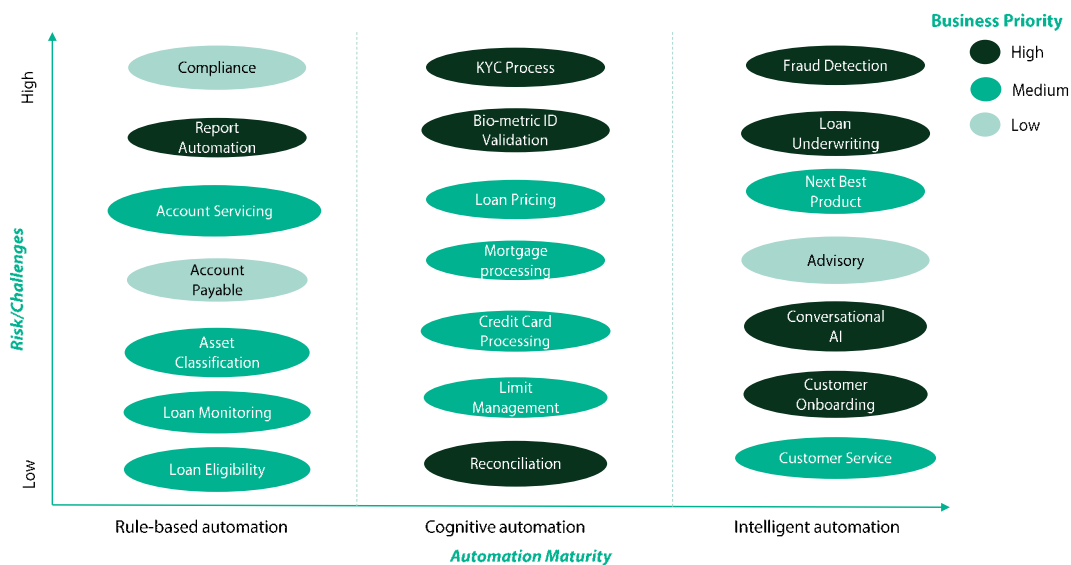


Fig3: RPA Automation Maturity Matrix

What RPA brings to the table

RPA has helped banks to reduce operational costs, turnaround time and enhanced the shield against human error or potential fraud. A standardized RPA bot not only enables banks to navigate through these challenges but also helps to build a resilient ecosystem that can strengthen the bank in combating any such epidemics in future or economic downfall. RPA benefits are highly influential in increasing customer experience and maximizing cost savings for a bank.

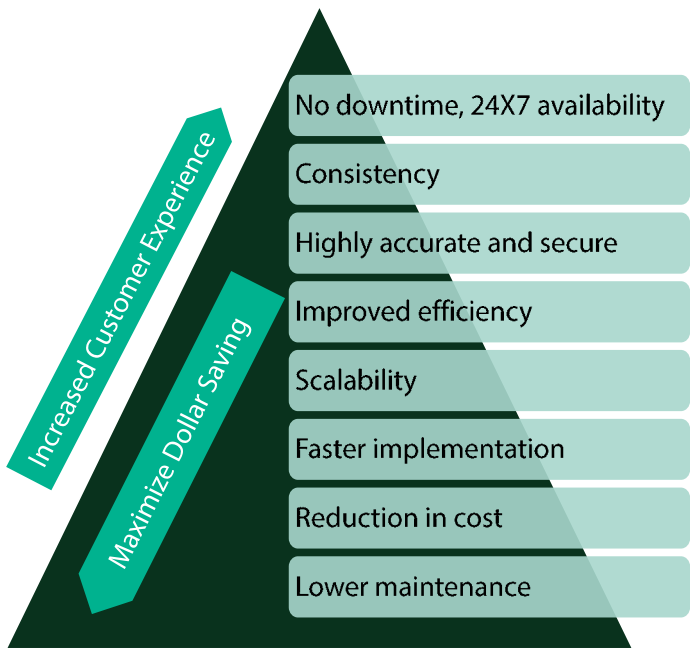


Fig4: RPA Benefits - Pyramid View

Why RPA is more relevant under current crisis

Most of the banks would have learned by now that business and operating models need a major shift. Banks need to adjust to a new normal by embracing right set of technology enablers. At the face of current crisis, RPA is one such technology enabler that can bring in much needed operational efficiency paired with reduced cost which will bring significant relief from few of the challenges that bank might face as an aftermath of this crisis.

Business continuity: The current crisis, could be an eye opener for most financial service organizations. It is evident that those organizations that had some of their processes automated managed their business continuity better and minimized the impact. There could be similar crisis like this in the future where business continuity will be challenged. With automated processes in place, organizations will be better equipped to handle such disruptions.

Cost optimization: The current crisis has a severe impact on the businesses across industries. To stay afloat, organizations need to focus on strategies that would minimize the financial impact. Organizations across industries must be working on the Cost-takeout strategies. Automation of processes brings about significant cost savings. It is anticipated that RPA can bring in about 25-50% reduction in overall costs.

Operational efficiency: The current crisis is not just about business disruptions; it has severely impacted the wellbeing of the individual and their near and dear ones. More than physically, it has impacted the mindset of the people. People are anxious, fearful and uncertain about the future. All these factors impact the productivity of workforce. Automating processes and tasks can bring in much needed operational efficiency at this juncture. Automated processes would be more consistent, accurate and could be performed in reduced turnaround times.

Relevant use cases under current situation:

While end to end digitalization is key to success, RPA can help banks move up the value chain if applied for the right use cases. RPA potential can be further

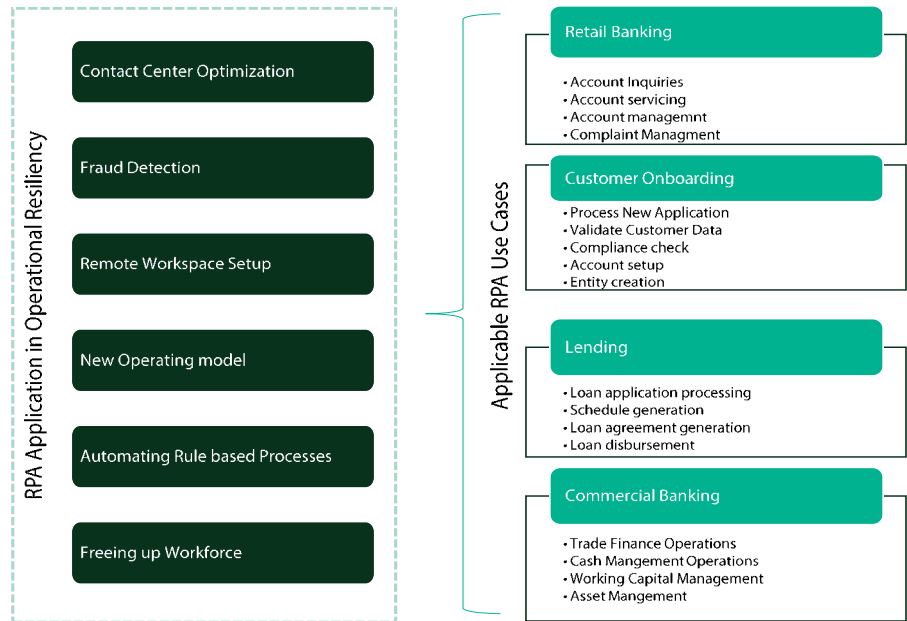


Fig5: RPA Use Cases combatting COVID-19

Contact center optimization: Banks are facing during this crisis a huge volume of inbound calls at contact centers as most of the other touchpoints like branches would be non-operational or operating below capacity. RPA can be deployed to handle a significant portion of this traffic, like handling routine queries related to accounts, while executives can only take upon queries that require a human touchpoint.

Fraud detection: Since most of employees would be working from home and with increased digital transactions, there would be increased risk of cyber-security and frauds. RPA technology paired with artificial intelligence and machine learning can help in detection and prevention of frauds. Cognitive RPA use historical data observations in taking effective measures to act on the suspicious customer.

Setting up remote workspace: RPA can also help in enabling remote workforce by automating few of the processes like registering new equipment, creating new users for VPN etc.

New operating model: As consumers

explored for both retail and commercial banking business lines. Here are some of the prominent use cases which are helping banks to be resilient from both operational and business process perspective in combatting pandemic situations.

and businesses move to virtual operating model for banking services, banks can utilize this opportunity to automate few of the processes for the delivery of products and services like using smart forms, digital workflow for analyzing a loan request in matter of seconds rather following a long process of physical form verification and documents.

Automating rule-based processes: In banking and financial services, there are large number of processes that are based on pre-defined rules. Automating all these processes with RPA will reduce the total TAT and hereby increasing operational efficiency.

Freeing up workforce: By automating mundane, repetitive and unproductive work, RPA can free up talent which can focus on re-skilling and getting involved in other creative works and the works that require human touch with physical world which again can increase the marginal productivity of the worker.

Again, the above depiction is just illustrative, more banking processes could be potential candidates for automation under such situations.

How banks should approach implementing RPA

Now, having emphasized on relevance of RPA in current situation, implementing RPA is not free from challenges. Hence, it is important for banks to adopt an optimal approach in automating their processes. Below steps provide a step by step approach to a bank in implementing RPA mitigating some potential risks.

1. Banks should identify the right candidates for automation as, practically, end-to-end automation of all the processes is not feasible considering different ROI of automation for different processes. Processes aligned with the digital strategy or enterprise strategy should be given priority
2. It is necessary before implementation of RPA to create awareness on expectations on inputs needed and the consequences among all the lines of business and departments involved. Take buy-in from stakeholders at different levels.
3. Take build vs buy decision depending on the processes they want to automate, suitability for the organization, the scope of coverage and capability of bank to build proprietary application
4. Pick the right RPA product by doing proper study and analysis of the requirements and various products available in the market
5. Clarity on ownership maintaining seamless integration between IT and business function is key factor for success of RPA implementation. Also, post implementation, the ownership of issue handling is important to achieve timely and effective resolution.
6. Strong leader who can lead the team to completion and proper coordination between all the employees and teams involved in automation is another important requirement for successful RPA implementation
7. Absence of interconnected systems that keeps on premise or cloud infrastructure in real time is one of the biggest challenges faced while implementing RPA. Centralized infrastructure team is the solution for these issues and helps in expediting implementation process.

Recent RPA success stories in banking industry

- Singapore based bank OCBC reduced the time to re-price home loans to 1 minute from 45 minutes by leveraging RPA.
- DBS has optimized more than 50 complex business processes by setting up RPA COE
- A bank's credibility was improved by reducing ATM dispute resolution time from 48 hours to 2 hours with RPA driven automated process
- RPA paired with AI and ML helped

improved productivity by 91.67 % with 100 % accuracy in a credit limit extension process for a bank

- RPA paired with OCR and NLP helped reduce turnaround time for import collection document processing from 12 min to 1.30 min for a European bank
- Indian banks HDFC and ICICI are leveraging RPA bringing down execution time of processes by around 60%
- Japanese financial institution Sumitomo Mitsui, was able to reduce their four-lakh manual workforce by how much (numbers or percentage) using RPA automation

Conclusion

Banking industry has survived many crises like COVID-19 or even worse than this and one thing is common in all of them. It has made the banking system stronger each time and more resilient than earlier. Current crisis would be no exception and will help banks to introspect their current ecosystem. Banks will be able to identify where they could have done better, what they could have adopted and how they can minimize the impact. It's often said, few things require a push. It is quite apt when we see it in the context of adoption of RPA by banks. Many banks might already be aware of its advantages, but they are often delaying things waiting for a push. The current crisis is one of such pushes for banks to re-think on their strategies towards technology enablers. RPA is one of them and plays a critical role to build a strong foundation for a bank towards rationalizing their business process, automating manual steps and adopting new generation technology. Digital or neo banks have already adopted automation along with digitization for superior customer experience. Now it is time for incumbent banks to move up the digital and automation maturity curve to prepare themselves for any such future pandemic. RPA is not an option anymore for the banks, it is an imperative.



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Vishwakarma Gupta is from Banking Practice, Financial Services Domain Consulting Group, Infosys Limited. He has 14+ years of experience working as Financial Services Consultant. He is a Chartered Accountant, certified Investment Banker and a certified FRM by qualification.

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Abhik is a Principal consultant with Banking Practice as part of Financial Services – Domain Consulting Group within Infosys. The majority of Abhik's 13-year consulting experience spans across consumer banking domain, where he currently continues to actively work on several engagements on digital transformation, process modernization & automation in conjunction with new age technologies AI-ML. He has extensively worked for large global banks across the US and UK in several business & technology initiatives. He is also associated with developing solution in collaboration with FinTech ecosystem in solving banking challenges.

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