



GEARING FOR GROWTH AMID RAPID CHANGE

A striking and contrasting trend is playing out in the global banking sector. While banks in western economies have been finding it rather difficult to keep up their growth metrics, many of their counterparts in the Asia Pacific region are seeing rapid growth, owing mainly to the large masses of their population entering the formal banking economy for the first time.

Another trend that has caught investor attention is the rise of FinTech in the Asia Pacific region. Companies like Tencent and Alibaba that aren't traditionally involved in banking or financial services have launched sophisticated payment systems that are allowing individuals to use their smartphones for payments. This is presenting an interesting set of challenges and opportunities for existing banking and financial services institutions, who are already stretched on multiple counts, particularly the need to invest in digital technologies to deliver enhanced customer experiences in the form of mobile applications and other services, and embrace new and upcoming trends like Blockchain, cryptocurrency, peer-to-peer banking, among others.

A survey by Greyhound Research, a leading global analyst firm, exemplifies this. Titled 'Future of Banking: Outlook 2018', the research based on 3,800 interviews across 12 countries shows that 77% millennials prefer to use banks that offer a good experience via a mobile application – compared to an average of 52% consumers across all age groups.

A LOAN EVERY 13 SECONDS

Like with any change, adapting to digital technologies is fraught with **risks and challenges** for banking clients. Given our extensive experience of working with such institutions and their leaders, we observe that many banks and financial services firms are burdened with **disparate host systems** added piecemeal, over time and are just not equipped to respond to change readily. We also observe that bankers hold strong **apprehensions about transformation**, given their experience of long technology deployments and the ensuing business disruption. However, change is imminent and they need **solutions that are adaptive and scalable** to the business need at hand.

A **non-banking finance company in Vietnam** was going through the same phase. They wanted to **modernize their core lending solution** to tap into the exponential growth being witnessed in the country's consumer finance business. With the client disbursing a loan every 13 seconds, they needed an extremely robust system to support current operations, future growth, and at the same time comply with regulatory norms. The client also wanted the new solution in place in time for the expected surge in credit demand for the year-end festive season.

Infosys is helping clients with similar needs with our **Finacle digital banking application**, which addresses a wide range of digital needs including core banking, omnichannel banking, payments, treasury, analytics, and blockchain. We provide tangible business outcomes like frictionless customer experiences, larger ecosystem play, insights-driven interactions and ubiquitous automation, driving **truly digital transformation**.

A SIX-PHASE APPROACH

With a strict deadline of six months for delivery, the Infosys team used a six-phase approach:

#1 To meet the key client requirement that all features be able to handle the enormous volume of loan accounts, we undertook a **prioritization exercise** to decide the features to be implemented and their sequence. We also used **Agile methodology of development** to accommodate changes across the solution design and build phase.

#2 With Finacle replacing the existing core system, the Infosys team **created interfaces** with several subsystems - customer service management, collections systems, general ledger system, among others. The client's loan origination system handled high volumes from across 40,000 accounts and customers in one week. We **optimized the interface with the loan origination system** to handle 3,000 accounts in an hour, which included loan account creation, disbursement transaction, and data validation before loading the accounts into Finacle.

#3 The Finacle team also **suggested changes to certain processes** to reap the full benefits of the new system. These included the monthly interest model introduced based on uniform interest accrual, each day of the month, which benefited the client through increased annual interest income. We also implemented a package solution of non-performance asset management and enabled the client to have a detailed daily view of the loan account interest accrual, on a per transaction basis.

#4 To help the banking client better handle huge loan volumes, the Infosys team built a series of **smart automation solutions with inbuilt intelligence** to control operations spanning loan closure, early loan termination, payment prioritization and recovery, principal recall/prioritization and the process of regulatory report generation.

#5 To ensure faster implementation, we initiated **testing in parallel to development** activities, with testing support and a few related minor development activities performed onsite to mitigate the risk of parallel approach.

#6 To meet the engagement requirements of a tight deadline and complex migration, the Infosys team adopted an **onsite program management approach**. We also designed the project governance model to ensure periodic **involvement of senior management** from both the client and Infosys Finacle.

The client was able to take the solution live in 6 months. Since going live, the client opened 3 million new loan accounts, and got a scalable system capable of servicing over 4 million active loans in the next three years. On an average 7,000 loan accounts are opened daily at the client with the Finacle system. A peak daily volume of 24,000 accounts can be handled with a flexibility of extending it further.

In addition to the flexibility and agility to launch new loan products, Finacle offered the client flexibility on interest parameterization and enriched capability, leading to additional interest revenue recognition and effective accrual reporting. Over and beyond, higher process automation through system-controlled decisions throughout the entire loan life cycle resulted in greater operational ease.



GEARING FOR GROWTH AMID RAPID CHANGE: THE FIVE KEY TAKEAWAYS

- 1 **Research** needs of your customers to understand expectation from new-age banking better
- 2 **Prioritize** to decide the solution features to be implemented and their sequence
- 3 **Create** interfaces to integrate solution with a host of other subsystems
- 4 **Build** automation with inbuilt intelligence to control operations
- 5 **Initiate** testing in parallel to development activities to accelerate delivery

BIG LEARNING:

While banking and financial services isn't the first industry to be disrupted by technology, historical evidence from industries such as manufacturing is proof enough that such changes are never easy on their incumbents. We believe that despite the looming threats from new entrants, existing financial services organizations with dominant presence have enough and more might to keep their leadership position. But this will require these organizations to kick a few old habits and make moves outside of the ordinary.

WE DID THIS FOR THEM. WE CAN DO IT FOR YOU.

To learn more about Finacle banking solutions, reach out to us at askus@infosys.com

For more information, contact askus@infosys.com

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Navigate your next

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