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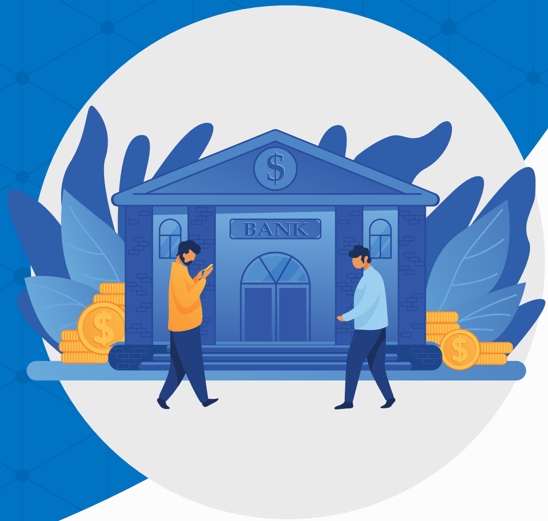
Tough Times Call For Tough Measures



How can banks cut costs, boost efficiency?

Although more than a decade has passed since the 2008 Sub-Prime crisis, banks are still struggling to achieve higher profitability. As costs increase, banks are grappling to manage efficiencies across areas. To add to the already existing woes, FinTechs are giving banks a run for their money by transforming digital experiences, fast-tracking turnaround times, and wooing customers with discounts, coupons, and other added benefits.

Covid-19 further compounds the stress with multiple industries and jobs being impacted. At times like this, banks need to relook at their business models and identify ways of being more agile and effective while also trying to address profitability and rising costs.

What could be some of the steps banks can take to bring down costs and boost efficiencies?

Product Portfolio Consolidation:

It is not uncommon for banks to have hundreds of products across their portfolio of offerings. Every product comes with its own ecosystem of costs to maintain. These are typically spread across staffing costs, marketing expenses, IT infrastructure costs, compliance, and operational costs to name a few.

Banks need to analyse their portfolios to understand the products that bring in the differentiation and value to customers and strike out the ones that yield low growth in the long run. This can be a tricky call for banks to take as usually the market dynamics and competition force banks to focus on personalization, catering to different personas of audiences.

Focus on Process Automation:

In a recent survey, it was highlighted that 60% of customer dissatisfaction originate in the back office. There are numerous processes across back, mid and front office that are effort, labour and time intensive. Although Digitisation and Automation may increase costs in the short run, they may help trim costs and augment staff's productivity & efficiency in the long run.

Digitization can be approached through multiple ways, as highlighted in a recent report:

- Target one line of business at a time
- Move from simple to complex processes
- Address biggest impact areas first

Staffing Costs:

Timely employee productivity audits ensure frequent checks and measures are brought in with regards overall employee cost. Tools and methodologies ensure staffing as a function is governed by result oriented metrices. An important aspect also to be considered is the percentage of cost spent on the overall training and development of the employee.

With the concept of free agents or contractors picking up steam in other industries, banks need to seriously consider this option to mitigate risks and save on costs. Functions / departments that are not business critical can be staffed with more contractual resources.

Strong Regulatory and Compliance Practices:t

Globally, cost of compliance has increased by over 60 percent with penalties and fines expected to top USD 400 bn by 2020. To be compliant, banks' staff spend 5,000 manual hours annually on manual tasks pertaining to Governance, Risk and Compliance. This results in the bank's staff spending their time in unproductive work.

tgovernance can help banks not only intervene at the right time but also save themselves from paying hefty regulatory fines. One of the ways is by adopting robust technology platforms that help them be regulatory compliant and combat fraudulent practices. Investing in the right technologies will ensure significant benefits in the longer run.

Optimizing Banking Channels:

With more and more customers getting comfortable with banking online, banks need to gain customer loyalty by enhancing the user experience and by building more self-service applications. While it would be prudent for banks to focus their energies on building mobile experiences for customers, it is also important to transform branches with smarter technologies, such that dependence on staff is at the minimum. Virtual tellers, self-service kiosks, video KYCs and other approaches can reduce the strain on branches thereby reducing the dependency on staff.

A Shift in Mindset:

When an inclination towards cost savings and efficiency is deeply embedded in the culture of organisations and teams, it happens effortlessly and positively impacts an organization. It is important to understand this and appreciate the difference it can make when employees imbibe this in their DNA. This is mostly a top-down approach with the senior management taking the effort to sensitize employees towards looking into these aspects not just from the standpoint of meeting their KRAs or KPIS but also to bring in an attitudinal shift in how they work and approach aspects critical to business.

Conclusion:

As we gaze ahead into the future, we are hopeful that we will collectively sail through the current pandemic. However, we believe that the damage done to global economy will continue to exert stress on financial institutions and other industries. As banks prepare themselves for a post Covid era, stricter measures to optimise costs and practices to improve efficiency will be a centerpoint for lot of banks.