

# Banks tread the path to digital first

With banks increasingly turning into technology firms in their own right, Acuity Knowledge Partners CEO **Rob King** explores whether technology alone can ready them for the future



**D**ata is at the core of banks' transformation agenda. Global internet usage will generate hundreds of trillions of gigabytes of new data over the next few years. With unstructured data contributing more than 50% of the total, banks need state-of-the-art systems and talented data scientists and technologists to create AI and machine learning solutions that deliver value and produce a return on investment.

No CEO is isolated from these changes. In addition to unlocking the value of their data, bank CEOs are striving to build resilient yet profitable businesses for the future while tackling challenges such as the global pandemic, rising interest rates, changing consumer sentiment and geopolitical developments.

For consumers, the pressure to integrate digital in every facet of banking has transformed the notion of what a bank is. As markets like the UK move ever faster towards a cashless society and businesses embrace account-to-account processes, this only becomes more apparent.

Whether wholesale or retail, relationship management remains a core focus. Embracing a digital-first approach has shifted banks from fragmented fixes in siloed areas to organisation-wide digital transformation programmes to meet the evolving needs of customers, employees and regulators.

Today's lenders are often as concerned with speed and code as with cash. According to a 2021 J. P. Morgan report, 13 of the world's major banks are estimated to have spent \$74bn (£59bn) on IT in 2020. Banks have arguably transformed into technology companies

whose main business is routing, managing and controlling money.

Some 90% of senior decision-makers in corporate and commercial banks see managing credit risk efficiently as a top priority, according to a recent survey by Acuity Knowledge Partners, followed by compliance and improving internal digital infrastructure. Digitisation is an opportunity to improve the customer experience and reduce underwriting and monitoring costs, while simultaneously achieving better risk governance processes and boosting employee morale.

Most banks are adopting new loan management approaches to upgrade their old non-interactive systems to tackle underwriting and monitoring costs. Those ahead of the curve are adding AI and machine learning capabilities to automate the underwriting process.

Reducing compliance costs while improving operational efficiency is one of the major challenges banks are focused on. For example, most banks are trying to harmonise their fragmented data across compliance functions. This includes marrying human intelligence with technology to move away from manual, effort-intensive processes for 'know your customer' practices and alert investigations.

To meet these challenges, banks are tapping the potential of advanced technology. Innovations such as robotic process automation, blockchain and AI-driven verification enable them to work and comply with regulations more efficiently. This saves time and cost, while providing customers with access to systems that are intuitive and which seamlessly enhance the user journey.

The extra work burden, however, along with broader workforce trends driving the so-called 'great resignation', is putting a significant strain on core bank employees. The front office, credit risk, credit admin, data science and technology teams are grappling with attrition, making it incredibly difficult for banks to stay focused on their transformation agenda.

This is where strategic partners have a significant role in providing quality staffing to manage the human capital challenge while bringing in the required domain and process expertise, all at significantly lower costs. Banks today are on the lookout for strong data science, technology, and knowledge partners that can help them holistically on their transformation agenda.

The key to successful digital transformation lies in integrating technology and domain expertise. As enterprises recognise the benefits delivered by strategic partners with distinctive domain expertise, it becomes easier to scale innovation and digitalisation as they seamlessly support these initiatives without stressing the front office teams in running the engine. The changes banks are making are structural, technological, cultural and, above all else, vital.

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