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Balancing Tech, Skills & Costs

CEOs of insurance, bank and fintech explain the balance between tech, AI, skills and costs for achieving business goals:

Part 1

Tech Cost Dynamics

Leaders explain how they look at tech costs and ensure that it aligns with business goals:

In the BFSI industry, technology has become the backbone of operations, powering everything from customer interactions to regulatory compliance and fraud prevention. As tech costs soar, they now rival the historical expense of salaries, posing a significant challenge during periods of financial strain. Unlike trimming the workforce, scaling back on technology is not an option - especially when digital platforms are critical for customer trust and operational efficiency. So, how can BFSI companies manage rising tech expenses during tough times without jeopardizing their core services or compliance requirements?

PEOPLE COSTS & LAYOFFS

Traditionally, Indian banks barely resort to layoffs unless there is systemic pressure. Managing costs in banking, especially during times of systemic pressure, requires more than a knee-jerk reaction. George K John, Executive Director at ESAF Small Finance Bank, explains: "While salaries have traditionally been a significant expense, human intelligence is highly recommended in banking. What one can do is, optimize costs by setting long-term targets. The Indian banking system, widely regarded as one of the best globally, continues to attract top talent, with many aspiring talents eager to join the sector due to the expanding opportunities."

Opportunities within the banking system continue to gallop, particularly in technology-driven areas.

Tapan Singhel, MD & CEO at Bajaj Allianz General Insurance, sees organizations as a collective of skilled people who unite to make a difference

George K John recommends technology investments should be made with a broader vision of sustainable growth

in society. Viewing employees as assets rather than resources shifts the focus from layoffs to finding more sustainable ways to optimize the business, and he sees this as crucial for the success of any company. He opined that in a fast-growing segment like insurance in a fast-growing economy like India, the question of layoffs only arises in markets that don't grow fast and economies that are sluggish.

Tapan explains: "In India, especially in the field of insurance, where the potential is large, I don't see any layoffs happening. Organizations should look at technology as an investment rather than an unnecessary cost. By investing in innovation and continuously improving operational efficiency, businesses can adapt to economic challenges while prioritizing their employees."

TECHNOLOGY COSTS

Technology plays a crucial role as a facilitator in the financial sector, improving the efficiency and effectiveness of operations. Its primary aim is to make processes easier for employees, partners, and, ultimately, customers.

Tapan says: "Technology is a means to an end and not the end. While technology costs can be high, their usage is spread over time, making them a sustainable investment for long-term benefits, especially in areas like customer engagement, regulatory compliance, and fraud prevention."

Technology costs are critical for customer engagement, compliance, and customer reach today. By understanding the core target audience, companies can innovate products that align with their demands.

George adds: "Optimal spending, is the need of the hour. Remember, the key is to stay competitive for the long term. There must be a balance between meeting customer requirements and executing the bank's plans. In other words, technology investments should be made with a broader vision of sustainable growth."

Thus, financial institutions can manage technology costs during tough times by prioritizing critical systems, optimizing cloud usage, renegotiating vendor contracts, investing in automation, and modernizing legacy infrastructure, all while maintaining a focus on business value, regulatory compliance, and customer engagement.

TECH & BIZ ALIGNMENT

Cost control is crucial for fintechs working to scale their operations. Companies need to focus on prioritizing what is necessary for smooth operations. While some new technologies may seem attractive, if they don't align with the company's current operating budget, they can be considered at a later stage.

Says Satyam Kumar, Co-Founder and CEO of LoanTap: "Key aspects of the fintech business, such as customer engagement, regulatory compliance, and fraud prevention, should always remain priorities. Any decisions to adopt new technologies must align with the company's current business objectives."

OTHER COSTS

The key to managing technology and other costs in financial services is maintaining disciplined business practices. For example, in insurance, prudent underwriting and focusing on profitability ensure that companies remain stable without resorting to layoffs.

Tapan shares: "If technology helps an organization increase employee productivity over a period and adds value to the employee's contribution to the organization along with focusing on employee learning and development, organizations will only prosper without needing to lay off employees."

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Part 2

Hyper-Personalization is the New Normal

CEOs explain the critical role of hyper-personalization and innovation in shaping the future of the industry.

With technological advancements like cloud computing and data lakes, hyper-personalization is now possible. This allows organizations to create models that analyze customer information at lightning speed, offering tailored products that meet individual needs.

INNOVATION IS ESSENTIAL

Innovation is no longer a luxury; it's a necessity for survival in today's rapidly evolving financial landscape. It must continuously evolve with customers at the center, and it is essential for product differentiation and customer satisfaction.

George commented: "We have seen everything from re-innovation to incremental innovations to disruptive innovations. With hyper-personalization as the critical business objective, we must embed innovation into every aspect of the banking experience."

AI and machine learning have revolutionized operational efficiency by reducing manual work in areas such as claims assessment and customer service, enabling strategic, cost-efficient automation. This can be seen in instant customer service and quick claims settlements in insurance. The benefits of technology have added value to the end consumer experience. Organizations

Tapan Singhel views employees as assets rather than resources as a key driver of success

must be aware of ethical considerations, permissions, and data security when handling customer information. Data privacy must be sacrosanct.

Tapan sees technology making a significant impact on fraud detection. The fact is that over 20% of insurance claims are fraudulent, significantly affecting the industry and pushing combined ratios close to 118%. The key to addressing this is collaboration across the sector - by pooling data from sources like the Insurance Information Bureau (IIB) and using a shared claims repository, we can collectively tackle fraud. This will reduce losses and increase customer trust, encouraging more people to opt for insurance.

ECOSYSTEM FOR CUSTOMERS

In banking, innovation is inevitable on both the product and service fronts. On the product side, this means designing tailored offerings - like personalized lending solutions and customized investment portfolios - that adapt to individual customer needs. Innovation should focus on creating products that evolve alongside our customers. Seamless and intuitive interactions are more important than ever on the service front. Technologies such as AI, machine learning, and advanced analytics are crucial in providing real-time insights and personalized recommendations. Additionally, narrowing down the target customer segment will be helpful for building brand portfolios. In essence, innovation must be ingrained in everything we do, prioritizing immediate action to keep pace with a rapidly changing landscape.

George added: "Innovation in the

Indian banking industry is evolving with a focus on hyper-personalization, digital payments, AI-driven operational efficiency, enhanced data security, and sustainable finance to meet the diverse needs of modern customers."

Beyond personalization and fraud prevention, technology offers the opportunity to create ecosystems that genuinely improve customers' lives. Tapan shares an example: "Wearables for senior citizens can serve as a tracking mechanism to monitor their safety while living apart from their families. This kind of innovation addresses real-world challenges beyond just offering insurance products."

Ultimately, combining technology and industry-wide collaboration is vital in driving meaningful innovation and delivering solutions that benefit customers.

In today's fast-paced world, Satyam sees a growing demand for hyper-personalized financial products tailored to specific customer needs. An important use case in the BFSI sector is embedded finance within the supply chain space. Through AI and predictive analytics, it's now possible to offer personalized loan options in real time during a customer's purchase journey.

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Part 3

AI Boosts New Skills

CEOs explain how AI is easing skill shortages while elevating human potential:

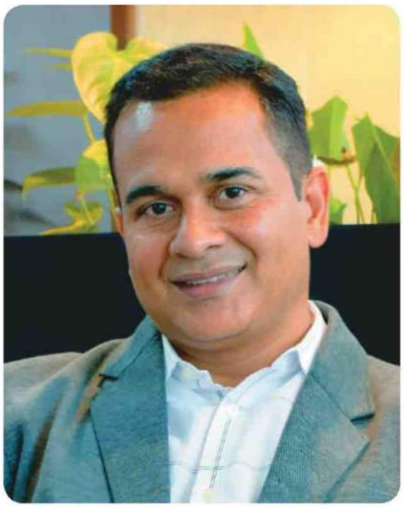
Generative AI is poised to be a valuable tool that enhances our work processes, making tasks faster and more efficient. It will help process vast amounts of information, summarizing it for quicker decision-making.

AI TO SHARPEN SKILLS

According to Tapan, AI will certainly play a supportive role, but it will not eliminate the need for human skill. AI won't replace human expertise; for instance, while AI can analyze images in motor insurance, an automobile engineer's instinct and experience, especially in complex claims, are crucial for accurate settlements.

The human element significantly enhances customer experience; thus, skills will continue to be relevant. In the insurance industry, for example, the skill sets range from sales representatives to doctors, engineers, forensic scientists, and data scientists. As the industry expands, especially given the low penetration of insurance in India, the demand for diverse skills will only grow. Generative AI will complement, but not replace, these core skills, enabling professionals to work more effectively and efficiently.

Tapan offers this advice: "The key to thriving in this evolving landscape is continuous learning. As new technologies like AI emerge, I advise professionals to keep upskilling to remain relevant. Learn the latest developments before they overtake you. Embrace change and learn proactively before it becomes a necessity. Lastly, immerse yourself in your industry and actively seek new information that may impact your organization and sector."



Satyam Kumar sees personalized loan options emerging in real time during a customer's purchase journey

AI TO REDUCE THE SKILLS GAP

The talent shortage across various sectors, including banking, is a pressing challenge. However, specific skills shortages are expected to ease in the next 2-3 years, primarily due to advancements in AI and automation. In fields like manufacturing, aerospace, and software coding, AI can help equip individuals with essential institutional knowledge, streamline training processes, and accelerate decision-making. This will result in a more skilled workforce, as AI tools enhance learning and knowledge transfer.

In banking, AI has the potential to significantly reduce the skills gap, particularly in areas like cybersecurity. By automating routine tasks and providing advanced analytics, AI can empower existing staff to focus on higher-level strategic decisions while also aiding in the prevention of cybercrime through real-time threat detection. With AI's support, we can expect a more efficient and knowledgeable workforce, ultimately alleviating talent shortages in critical areas while enhancing the skills of our teams.

Gorge adds: "AI is expected to ease skill shortages in areas such as data analysis, routine software development, customer service through chatbots, cybersecurity threat detection, and robotic process automation (RPA). As AI tools increasingly take over repetitive and labor-intensive tasks, workers will be able to concentrate on more strategic roles."

AI & FINTECH

In the fintech sector, AI is already assisting with data-intensive tasks, particularly in developing accurate credit models for underwriting, fraud detection, and customer service. AI is shortening the credit underwriting process by simplifying customer identification and improving decision-making. Customer service has also been greatly

affected, as AI now handles simpler, routine inquiries. AI-driven platforms will further streamline complex tasks such as marketing automation, content creation, and compliance.

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Part 4

Tech Jobs to Rise; Operations Jobs to Fall

Finance leaders share their perspectives on job trends in the BFSI Industry:

The current trend of large companies laying off employees while startups and small businesses are hiring is likely a short-term phenomenon driven by economic factors. As the global economy experiences a slowdown, larger companies may feel the need to cut costs, leading to layoffs. In contrast, startups and smaller companies often have more flexibility and can adapt to changing market conditions more quickly, enabling them to continue hiring.

AI & HUMAN TOUCH

Technological disruption cannot be ignored. Organizations that fail to innovate are often left behind. As long as organizations continue to innovate and keep pace with technological changes and customer preferences, they should perform well. The role of banks is to stabilize the economy, and human intervention is essential for rational decision-making.

George adds: "In the long term, the trend is expected to shift significantly toward a greater emphasis on human intelligence and collaboration with AI. While AI can automate many tasks, it cannot replace the creativity, problem-solving skills, and empathy that humans bring to the table."

Tapan sees an enormous potential in the insurance: "As more insurers, distributors, and insurtech companies enter the market, the demand for jobs will continue to grow. Both current and new players have a large market to address and secure."

COVID IMPACT

After covid-19, the industry saw a trend of over-hiring to meet the surge in demand for online financial services, which rapidly gained adoption during the lockdown. Satyam says: "We are witnessing companies balancing this out, leading to layoffs. I believe this trend will stabilize, with companies becoming more cautious in their hiring practices while also keeping AI and automation in mind."

POPULAR GEOGRAPHIES

In hiring, there is a shift toward deeper penetration beyond the major cities, particularly in tier 2 and tier 3 locations, as well as rural areas. These regions are the country's growth engines; as insurance expands, they will need skilled professionals. Tapan states: "Overall, I expect the trend in our industry to be one of job creation and increased employment opportunities; hence, we anticipate a growing trend in job opportunities."

TECH SKILLS FOR BANKS

In the banking industry, this trend is likely to evolve into a long-term shift toward digitization and specialization. As banks increasingly adopt AI, blockchain, and fintech partnerships, the demand for traditional banking roles will decline, while the need for specialized tech skills - such as data science, cybersecurity, digital product management, and regulatory compliance - will rise. By investing in training and development, banks can ensure that their employees are equipped with the skills needed to thrive in this new era of technology-driven innovation.

According to George, while large banks may reduce headcount in back-office and operational roles, they are likely to increase demand for talent in technology, customer experience, and risk management to remain competitive in the digital era. Fintechs and niche financial firms will continue to absorb talent, especially in areas tied to innovation and digital transformation.

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