


New age banking: Changing landscape, emerging challenges

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The emergence of new age banks, technology transformation shifts and fintech players have changed the banking landscape. New Age banks are taking on the bigger, established players through cutting edge technology and open networks. However, they face multiple challenges in being completely operational when compared to their bigger counterparts, some of which have been described below.

People capability

Starting off with a skeletal structure, the new age bank workforce, majority of whom come from traditional banks, gets populated as they reach closer to the go-live date. Their understanding of this new environment is also limited and theoretical in nature. Once the bank starts operations, this could lead to uncertainty in terms of roles & responsibilities and scope of collaboration among the key functions.

Operating procedures

In new age banks, standard operating procedures are typically lean, with the ability to cater to a subset of banking products. However, great importance has to be given to future growth and newer product launches while keeping their commitment towards standing out amidst the crowd of traditional banks through differentiating processes.

Technology adoption

Typically in new age banks, technology adoption heavily depends on the selected technology to address its desired functionality rather than understanding what it is capable of. Lack of clarity on future requirements, against technology obsolescence, as well as lack of a proper technology roadmap that governs the adoption of IT systems is considered the number one challenge for most of them as they grow operations and customer base.


Bespoke Development

Banking product vendors are not eager to engage with new age banks or customize their product to the bank's requirements resulting in banks ending up with a vanilla version of the base product. Being confined to work within its limitations, numerous bespoke developments and customizations are required to address actual requirements. With scalability, sustainability etc. taking a back seat, – when the bank wants to upgrade its system, it may not have scalability to support the business case of system replacement or upgradation. In such a scenario, the bank faces the same situation as the traditional banks - an obsolete and non-scalable system.

What can the New Age banks do?

To start off, the bank needs to focus on its IT structure - the one that needs to be put in place for existing operations and the one that will address future operations as well, with roles and responsibilities clearly delineated. A typical tendency is to use BA services of the product organization or the PMO and quickly close any perceived gaps with sub-optimal requirements elicitation. This will not work. The right approach will be a BA team comprising of internal and third party specialists. This team will take care of requirements elicitation and improvisation at a later stage. The team has to visualize what the future will look like since there is no reference point to compare.

The next step is to put the technology roadmap in place. The banking platform architecture and the various components should be selected to meet growth requirements and have flexibility to replace/upgrade components without having to re-architect the platform.



Assessing customizations required to various components of the banking platform to meet the initial and future requirements is also essential. Taking these issues into consideration after substantial progress has been done will be counterproductive.

The Future

Of late, cloud-based models are gaining acceptance. However, it comes with its own set of challenges like environment setup, setting up interfaces with other systems in the cloud etc. Many products that guarantee functionality across multiple environments including cloud, seldom fulfill their claims.

Planning in the cloud environment must be based on maturity of the system with strong back-up and business continuity plans in place, should the system fail.

An additional challenge in the cloud environment is the difficulty in managing test environments given the multiple technology changes. There are various formats of third party service levels to be considered as well to ensure smooth execution of the application's quality assurance.

Reference

<http://www.ibtimes.sg/new-age-banking-changing-landscape-emerging-challenges-4692>

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