

NAVIGATING THE WAVES OF CHANGE: TRENDS SHAPING THE FUTURE OF BFSI IN AN ERA OF TRANSFORMATION

Abstract

The BFSI (Banking, Financial Services and Insurance) sector is facing a confluence of changes. In 2023, the global artificial intelligence (AI) market in the BFSI sector reached a valuation of US\$ 19.5 billion. According to the IMARC Group, the market is projected to show a growth rate (CAGR) of 30.3% and reach a valuation of US\$ 224.5 billion by 2032. However, AI is only the beginning. There are many emerging trends, like fintech companies, BPM services, cloud computing, and machine learning, that are reshaping how financial institutions conduct their operations, engage with customers, and compete in the market, quietly sculpting both the present and the future of the BFSI sector.



The banking, financial services, and insurance (BFSI) sector is undergoing a significant transformation, fuelled by the rapid advancements in digital technology. This transformation is redefining the landscape of financial services, making it crucial for industry stakeholders to understand the trends that are setting the direction for future developments.

Central to this digital shift in BFSI is the adoption of cutting-edge technologies such as AI and ML, which are revolutionising both customer service and internal processes. AI-powered chatbots provide real-time customer support while ML algorithms help analyse customer data and offer personalised financial advice.

Data truly is the new oil, and financial institutions are now tapping into this valuable resource to gain insights into customer behaviour, market trends, and operational efficiency. Advanced analytics tools are helping the cause by identifying

patterns and trends that previously used to go unnoticed, thereby allowing banks to proactively anticipate customer needs and enhance their decision-making process.

In addition to customer service innovations, digital transformation in BFSI is also making significant inroads into areas like commercial lending. Technologies, such as blockchain and machine learning, are being harnessed to automate and secure lending processes. Blockchain, for example, is being used to facilitate the execution of smart contracts, automate loan approvals, and enhance transparency, reducing not only risks but also operational costs.

At the same time, the payments segment of BFSI is witnessing transformative changes with the introduction of innovations like contactless payments, tokenization, and biometric security measures. These advancements cater to a growing consumer preference for

quick, secure, and convenient transaction methods. The rise of digital wallets and the expansion of real-time payment systems further underscore this shift towards a more digital-first approach in financial transactions. In 2023 alone, mobile wallet transactions accounted for approximately half of all e-commerce payments globally, and this number is expected to grow even more, with a CAGR of 14.9% from 2023 to 2027.

Fintech companies are another force shaping the BFSI sector. The global fintech market is estimated at 312.92 billion US dollars in 2024 and is projected to grow to 608.35 billion US dollars by 2029, representing a compound annual growth rate (CAGR) of over 14% during 2024-2029. These nimble and innovative startups are leveraging technology to offer a range of financial services, including digital payments, peer-to-peer lending, and blockchain-based solutions. Their ability to

operate with agility and provide seamless user experiences is forcing traditional banks to rethink their strategies. As a result, many established banks are now exploring partnerships with fintech companies to integrate cutting-edge solutions and remain relevant in the digital age.

Open banking in this context emerges as a critical solution. By facilitating the sharing of financial data through secure application programming interfaces (APIs), it is fostering collaboration between financial institutes and fintech companies among other third-party providers. Consequently, open banking is also actively enabling the development of new financial products and services, such as consolidated account management and enhanced financial planning tools, attracting a diverse range of customers.

Beyond these trends, sustainability and environmental, social, and governance (ESG) considerations are also increasingly influencing the BFSI sector. Financial institutions are now actively adopting technologies that support ESG goals, such as digital tools for more transparent supply chain financing or AI for enhancing ESG data analysis. Such initiatives not only help institutions meet regulatory requirements but also appeal to the environmentally and socially conscious consumer base, enhancing their long-term profitability and resilience.

In this ongoing digital transformation in banking and financial services, regulatory changes are also playing a significant role. Since the financial crisis of 2008, governments and regulatory bodies worldwide have been introducing new regulations to address emerging risks and ensure the stability of the financial system. From CCAR to PSD and GDPR in Europe, the regulations for banks are continuously expanding. Compliance with these regulations requires financial institutions to invest in technology and processes that enhance transparency, reporting, and risk management.

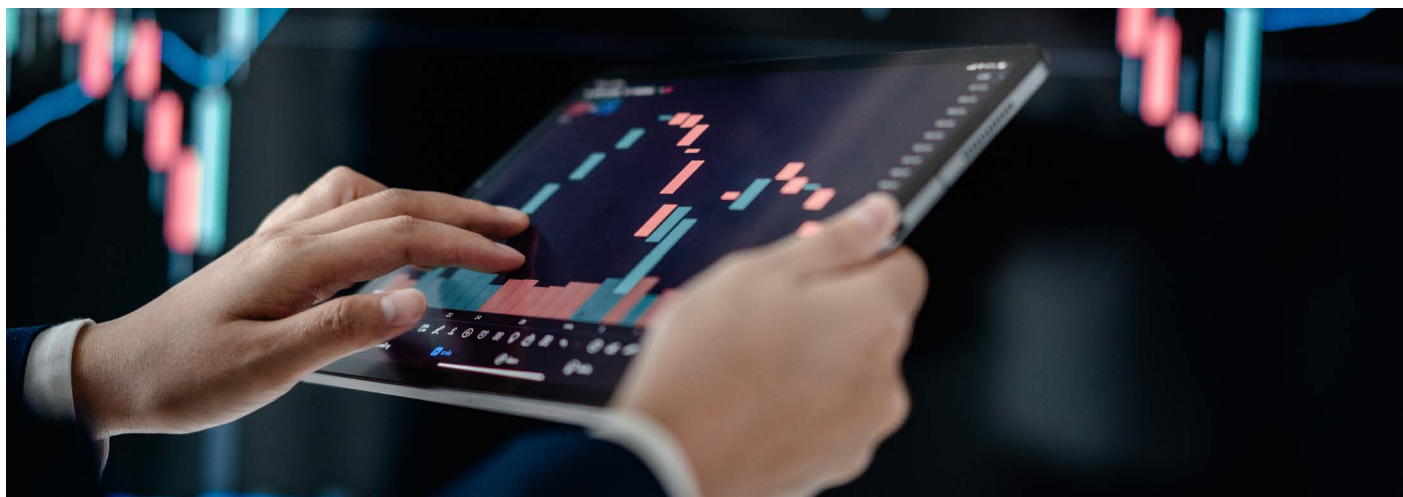
The use of cloud computing in BFSI marks another critical trend that cannot be understated. Cloud solutions are providing financial institutions with the scalability and flexibility needed to handle large volumes of data efficiently. Cloud-based platforms facilitate real-time data processing and storage, enhancing the ability to innovate and deploy new services rapidly. Additionally, the adoption of cloud technology supports cost reduction, improved collaboration, and enhanced disaster recovery capabilities.

The BFSI landscape is also quietly being reshaped by business process management (BPM). BPM in finance helps not only streamline workflows and automate repetitive tasks but also improve service delivery. By adopting BPM solutions, financial institutions can aim to

reduce operational costs, minimise errors, and achieve higher levels of efficiency. This focus on operational excellence is critical in a highly competitive market where margins are under pressure.

However, to navigate these changes effectively, financial institutions must ensure their cybersecurity measures are top-notch. With the increasing digitisation of financial services, the threat landscape has expanded, making it imperative for institutions to invest in robust cybersecurity measures, such as advanced intrusion detection systems, biometric authentication, encryption, and multi-factor authentication. Advanced analytics and AI also play a pivotal role here. These technologies allow financial institutions to analyse large volumes of data in real time and identify risks and vulnerabilities, guaranteeing swift responses to potential threats and consequently enhanced stability and security within the financial ecosystem.

As these trends continue to unfold, the BFSI sector is poised for a future where digital-first is the norm, sustainability is integrated into core business practices, and technology democratisation enhances competitive parity. Financial institutions that effectively integrate these trends into their strategic planning and execution will clearly be the ones leading the new era of BFSI.



How can Infosys BPM help?

Infosys BPM drives transformation in the BFSI sector through pioneering [BPM in finance](#) solutions. Our services focus on enhancing operations across

banking, capital markets, and regulatory frameworks through the strategic use of AI and advanced analytics. By streamlining processes, reducing costs, and improving

accuracy, we enable businesses to navigate the complex financial landscape and harness growth opportunities.

For more information, contact infosysbpm@infosys.com



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