

Redrawing the lines

FinTech's growing influence on financial services

PwC's Global
FinTech Report:
Executive
summary of India
insights

67%

believe their business is
at risk from FinTech

95%

of incumbents seek
to explore FinTech
partnerships

29%

expected annual ROI from
FinTech-related projects



Key messages

More than 67% believe that businesses are at risk

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Financial institutions are embracing disruption

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95% seek to explore FinTech partnerships

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Blockchain to move into the mainstream

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Data analytics, mobile and artificial intelligence (AI) will emerge as the key FinTech capabilities

8



67% of respondents believe that a substantial fraction of their businesses are at risk of moving to FinTechs



84% put disruption at the heart of their strategy



95% seek to innovate through FinTech partnerships



56% seek to engage with the blockchain in some form and eventually make it a part of their core business



36% seek to invest in AI

Foreword

FinTech has had a remarkable impact on the financial services industry in the past year. Financial services companies are realising the threat as well as opportunities that FinTech players bring, causing them to engage and redraw the lines that separate them. Financial institutions have begun to look inward, driving internal innovation through partnerships with FinTech companies, innovations and technological developments.

The insights in this report are based on the responses of over 45 senior financial services and FinTech executives from across the country who participated in PwC's Global FinTech Survey 2017. We complemented the study with our own insights into and analysis of how FinTech and financial services are moving closer together and how financial services are innovating in response to FinTech.



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More than 67% believe that business is at risk

FinTech is the instigator of disruption and innovation in the financial services industry. Financial institutions are increasingly at risk of losing business to FinTech innovators, with 67% already feeling the heat.

Consumer banking and payments and funds transfers are the segments which are already witnessing disruption, with a maximum number of consumers already utilising the services of FinTech players in these segments. The rest of the segments—especially lending and wealth management—are poised to follow suit.

The entities which are most likely to disrupt the industry are intuitively start-ups; however, other entities like social media platforms and e-tailers have also been cited as the source of disruption.

67%

believe businesses are at risk
(88% globally)

87%

consider start-ups to be the source of disruption
(75% globally)



78% and 69%

believe consumer banking and payments and funds transfers most at risk respectively
(84% and 68% globally)

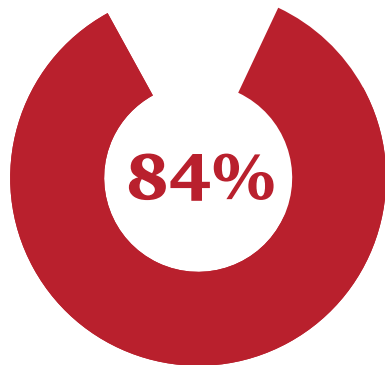


Financial institutions to embrace disruption

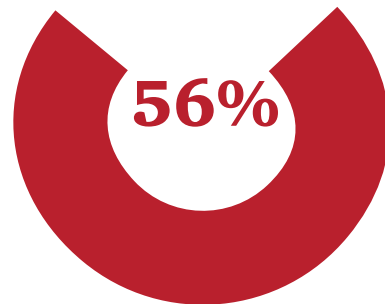
To remain competitive in the volatile environment that is gripping financial services, a majority of the respondents in our survey say that disruption is at the heart of their strategy. They are seeking to innovate in myriad ways to stay ahead of the curve of FinTech disruption.

A majority of the players say they are embracing FinTech and seek to utilise it to grow and transform their businesses. A few of the most common ways to utilise FinTech is to expand into new products and services, improve the retention of customers and leverage existing data and analytics platforms in an efficient manner.

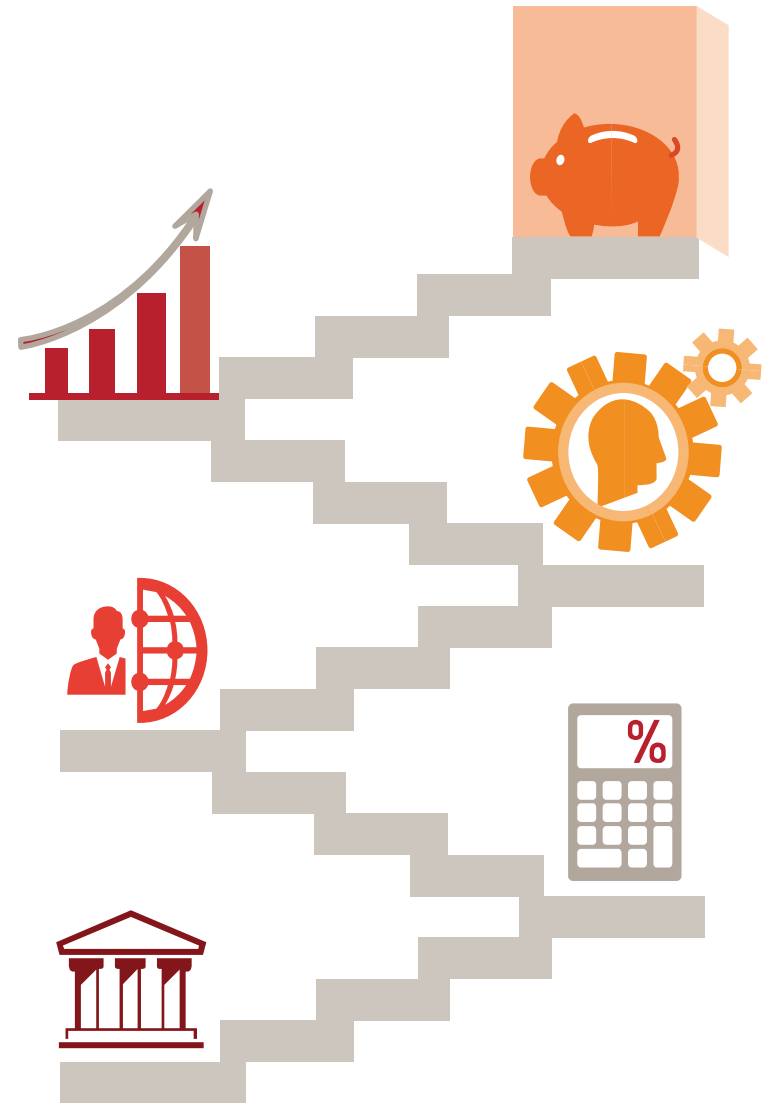
Further, 84% of the respondents say that they are driving internal efforts to innovate through FinTech. However, a larger percentage of respondents say they are looking beyond just that.



put disruption at the heart of their strategy



see FinTech as an opportunity to expand products and services, improve retention and leverage existing data and analytics platforms



95% seek to explore FinTech partnerships

A whopping 95% of incumbents in the financial services industry believe that the innovation they seek can be brought about by engaging in FinTech partnerships.

The additional edge that innovative FinTechs, who are free from regulatory and legacy baggage, can provide through partnerships is something that incumbents are aggressively seeking to capture. Apart from building products and services through these partnerships, traditional players can also leverage them for insider info on the FinTech ecosystem in order to keep themselves abreast of the market and trends.

Also, most traditional players expect some real returns from their FinTech expeditions. Although the level of investment each one of them is willing to make varies greatly, on an average, they expect an ROI of around 29% on all of their FinTech investments.



29%
expected ROI on all
FinTech-related spending
(20% globally)

95%

seek to engage in
FinTech partnerships
(82% globally)



Blockchain to move into the mainstream

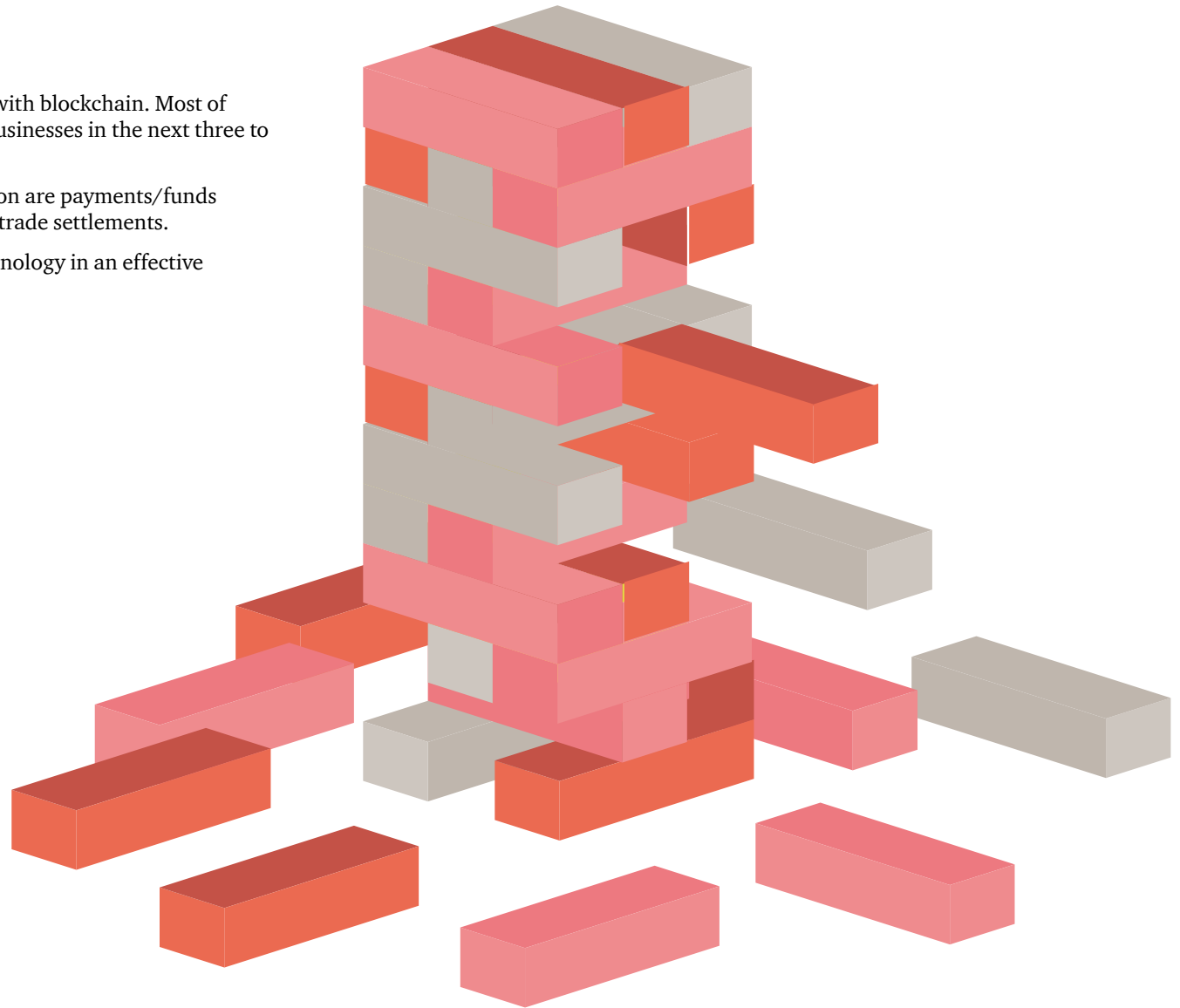
Financial services players are becoming increasingly familiar with blockchain. Most of them are expected to adopt blockchain in some part of their businesses in the next three to five years.

The three key areas that blockchain will have a notable effect on are payments/funds transfer infrastructure, digital identity management and post-trade settlements.

The role of regulators is crucial to ensure the usage of the technology in an effective manner and its integration into the mainstream.

56%

seek to engage with blockchain in some form and eventually make it a part of their core business (77% globally)



Data analytics, mobile and AI will emerge key FinTech capabilities

The focus for FinTech investments is slated to revolve around data analytics, mobile and AI. A significant minority of financial services companies are also focusing on a gamut of other FinTech capabilities.

Data analytics and mobile are more contemporary capabilities that each player in the industry is spending to remain competitive. However, several players are also focusing on revolutionary technologies like AI, cyber security, robotic process automation, biometrics and identity, blockchain and Internet of things.



69% to spend on data analytics (74% globally)



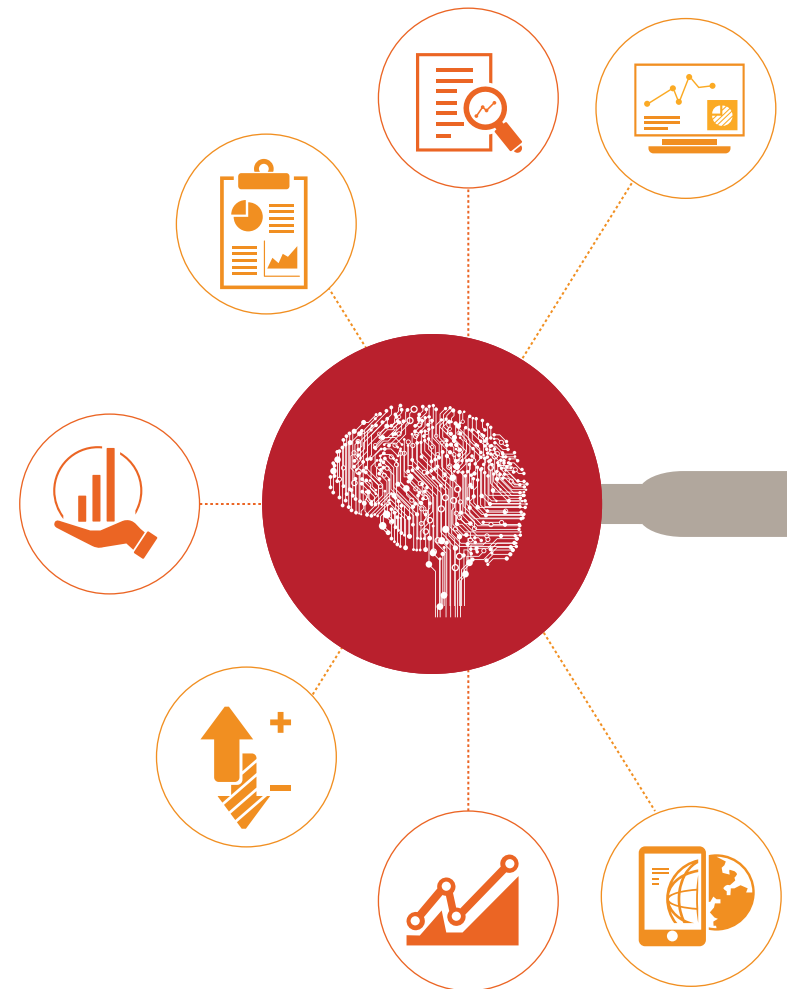
55% to spend on mobile technologies (51% globally)



36% to spend on AI (34% globally)



to spend on cyber security, robotic process automation, biometrics and identity, blockchain and the Internet of things (21–32% globally)



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Acknowledgements

We would like to thank the entire Financial Services team at PwC India for their invaluable support in the development of this publication. We would also like to thank the PwC Global Research team, the Global Clients and Markets team, PwC India Publishing and Online Media team and the PwC India Corporate Communications and Design team for their guidance and contribution.

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VB/April2017-9372