The CFO Program

CFO Perspectives

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CFO Speaks

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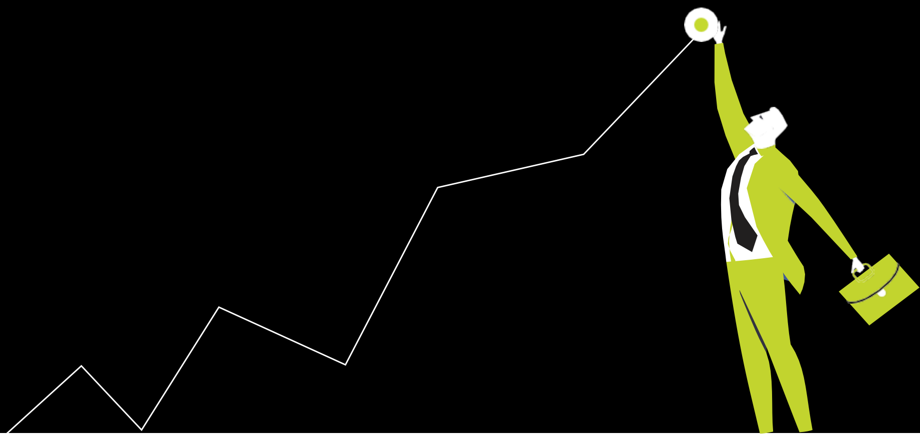


1. **Please share your views on how you think the Banking and Financial Services Industry (BFSI) and your bank will get affected with the recent budget announcements.**
   The budget has had an overall positive impact on the BFSI sector. The proposals to set up a Development Finance Institution (DFI) and a bad bank are welcome steps and will be helpful for our economy in the long run. Also, increasing Foreign Direct Investment (FDI) to 74% (from 49%) in the insurance sector is a positive move, however, there are some apprehensions around the Key Management Personnel (KMP) to be based in India. Further, announcing privatisation of two public sector banks and divesting Life Insurance Company (LIC) through Initial Public Offering (IPO) are steps in the right direction.

   With tax reforms and changes in Tax Deducted at Source (TDS), cost of compliance for banks and the financial services sector will see a marginal uptick, where the overall cost outlay would increase. However, the good part is that effort towards digitisation and other areas are now getting covered under the tax bracket. Further, depreciation of goodwill with a retrospective effect will also have some negative impact on us.

   The budget focused on infrastructure, which will boost demand for related ancillary services and create jobs. This will support overall bank credits, thereby contributing to pushing the economy. Overall, it is a good budget from the growth perspective and will offer credit opportunities for banks as the economy and sectors open up.

2. **The financial services industry is one of the most regulated industries with regular reporting required to be done with multiple authorities. As a CFO, how do you ensure that your bank is regulatory compliant at all times and what challenges do you face?**
   Being in the financial services industry, which is a highly regulated sector and demand volumes of regulatory reports, especially from regulators such as Reserve Bank of India (RBI) and Securities and Exchange Board of India (SEBI). To ensure the timely submission of reports, we have taken measures to be ready with the data even before being asked by RBI or SEBI. We understand what basic data points are being requested by regulators. We review them on a regular basis with the key financial and non-financial parameters that have been introduced internally. This makes the entire process smooth and help us being compliant.

   We believe that there are no short cuts to staying compliant to regulatory processes. We prepare ourselves best on the basis of regulator expectations and the experience that the team has gained over the years. We have a **'six-eye'** concept – **a three-step process,** wherein a functional team is responsible for data points they prepare and share. After that, it is moved to the regulatory team for review. Finally, the reporting team assesses the data to ensure that numbers are aligned.

It helps us minimise queries from regulators, after which we share our data points. We ensure that we are ready with our data and reports. However, we do have ad hoc requests from regulators, for which our Management Information System (MIS) team is well prepared for timely and veracious data submission.

Our current challenge is that we have data being requested by multiple sources. However, we are working with teams to ensure that in the near future we can pull numbers from an Enterprise Resource Planning (ERP) tool itself. We are working on streamlining processes to be more efficient and effective. The thrust is on maximising digitisation within time to generate reports only at a click, from a single source and through Robotic Processes and Automation (RPA) for routine activities. This will help us reduce manual intervention and ensure minimum errors.

3. Small finance banks largely tend to serve the unorganised sector. How do you as an organisation wean this segment out from local money lenders and bring them into the formal banking sector?

We have more than 5.6 million customers and are largely in mass banking reaching out to the underserved and unserved population. Our focus is on digital and financial literacy of our customers, to help them become a part of the formal banking channel. In our microfinancing segment, most of our customers are women, wherein we educate them on the safety of money, interest rates, and compounding benefits. In addition, our terms and conditions are explained to them in local languages for better understanding and connect, ensuring full transparency with our customers. The objective is to make them feel empowered; this has worked well for us. We are doing this for a number of years now. We see that customers have placed their trust on us. It has been a smooth transition for them having to borrow from local money lenders earlier to now moving to formal banking channels, as they value transparency and safety of their money.

We have done a couple of innovative interventions to our banking services to make transition easy for our customers. For example, it was noticed that most women have difficulty remembering their ATM card pin. We have now introduced a biometric card facility that will help them withdraw money without having to enter a pin. In addition, we have a missed call facility, wherein customers just have to place a miscall to a dedicated number and enquire on their account balance. Further, we have tie-ups with several small grocery shops, and created touchpoints for customers where they can deposit or withdraw small amounts without having to reach out to bank branches. With these continued efforts, we have been able to change our customers' banking habits over a period of time. These customers have now started building on their savings and value benefits they see (such as money safety and interest compounding) on being associated with the formal banking system. Smart phone penetration has also helped us. It has become easier to educate customers. Customers are getting accustomed to newer technologies and we ensure that they are guided well on the use of wallets and other modes of digital payments. It is satisfying to see them adopt digital medium of banking and being part of the journey to financial inclusion for all.

In terms of lending, our ticket sizes are quite small, but with huge volumes. Most of our loans are unsecured and disbursed after assessment of cash flows by ground teams. Executives meet customers locally and issue them loan cards. After that, we have physical meetings every month in groups of 5–6 borrowers where they come together to start the repayment cycle. This ensures a moral commitment from each customer. The idea is to connect more with customers to understand and fulfil their needs. Customers value us for transparency too, as we have no hidden charges.

4. How have you been using digital to transform your finance function and what are the challenges you face?

I would rate us 6 (on a total of 10) on our current digitisation journey. We have done a lot in the recent past. But we are still in process of doing a lot more to achieve desired heights. We are implementing RPA for our routine activities that will eliminate manual intervention.

Currently, our balance sheets are completely automated. We receive reports at the end of every month for business reviews. Our dashboard is in-built to give a 360° view and supports us by generating multiple performance review reports. We deep dive and analyse for respective functions and business lines. It happens at the click of a button as our dashboard tool is quite robust. However, the next step is to get this data in real time and we are currently working with internal teams to ensure this can be further enhanced for data availability 365 days of the year. This would help business heads strategise better and enable them to take up informed corrective actions in advance as and when required.

In the area of procurement, we are working towards making it completely digital, which is not the case as of now. We are also in the process of updating and making our compliance more automated. That continues to have some fraction of manual intervention currently. In the area of staff travel and reimbursement, we have manual processes that need to be digitised. All these are in plan and we should be able to improve on them in the next fiscal year.

We certainly understand that the need of the hour is digitisation and the idea is to automate these routine processes to the best extent possible in an effort to focus on adding value by improving analytics and forecasting, to generate real-time data and business insights. The idea is to see our finance team partnering with businesses in making improved business decisions.

5. **Given that the past year was difficult for businesses and as we adapt to the new normal, as a CFO, what are your top priorities for the next year?**

Given the learnings and experiences from the recent pandemic, some of my top priorities for the next year and the near future would be as follows:

- **Digitisation-** We saw that the team was able to work from home efficiently as we tested the power of digitisation. Thus, we want to focus on Standard Operating Processes (SOPs) and RPA in the future, so that the team can spend more time on analysis and value-added tasks, rather than concentrating their efforts on preparing data. This would help the finance team support the organisation in their strategic goals and be a partner to the business.

- **Cost savings-** We know now, more than ever before, that we need to save wherever we can to be prepared for the future. Cash remains the king, hence, it is important to re-look on our spending and ensure that we spend each rupee smartly. It is not only important for finance, but also for the entire organisation. We have seen substantial savings through these concerted efforts from respective functions and businesses. The pandemic has taught us to look at costs with an even finer lens. For example, our training programmes are currently online; training rooms are no more required now as everything happens on a virtual platform. We are saving on travel and infrastructure costs, and at the same time, able to reach out to the wider audience without compromising on the quality of training delivery.

- **Being agile-** As the economy opens, we need to be agile and partner with business, to roll out new products and services, as and when required. Business is no more static and thus, it is important to keep our eyes and ears on ground to understand what is happening in the market.

- **Ensuring liquidity-** On the liquidity front, we did not face any challenges during the pandemic, but it gave us a good insight on how much seems to be safe for our balance sheets. We have been doing scenario planning in the past too but it was tested in real time during the pandemic. Safety nets are required now more than ever to meet such black swan events.

Expert views

Trends transforming the business ecosystem across industries and the world

Across multiple parts of the Technology, Media, and Telecom (TMT) ecosystem, observers have been repeating some version of the comment, "There have been five years of change in five months due to the pandemic." COVID-19 has been a catalyst—an unwelcome one, but still a catalyst—for needed changes across the TMT landscape.

A catalyst is a substance that causes a chemical reaction to occur more rapidly than it would have without. Sometimes, only a tiny amount of catalyst can trigger a large change. In the same way, the SARS-CoV-2 virus, which is only 100 nanometers across and weighs one trillionth of a milligram, has catalysed considerable changes in many facets of TMT.

Some of these changes happened extremely quickly. Movements to the cloud, video visits for medicine, and the intelligent edge were already underway in 2019. However, because of the pandemic. We expect rapid evolution in these three areas to continue through 2021.

Faster change is not always a positive change. But many of the trends accelerated by the pandemic look likely to make the world a better place. Greater use of cloud, and open or virtual Radio Access Network (RAN) solutions, may make software and cellular service more affordable for the economically disadvantaged. We may also do so more sustainably, helping not just people but the planet too.

In a chemical reaction, when a catalyst is removed, the reaction returns to its slower rate. Will the post-pandemic world see change, disruption, and innovation decelerate from current levels? Or will the acceleration induced by COVID-19 persist for the long term—perhaps even permanently? Here are some insights from TMT Predictions 2021.

Cloud and data center

The cloud cover intensifies in 2021, and it is a bright future

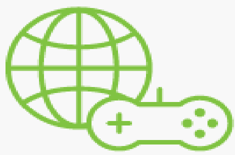
2020 saw many unprecedented catalysts arriving together to accelerate the demand for cloud including the COVID19 pandemic, organization transforming for the 'new normal', policy push by the government and a maturing cloud ecosystem

\$10.3B to \$11.3B — **By 2023** Predicted size of the cloud and colocation market in India

30% CAGR — **2020 to 2023** Projected growth of the cloud and colocation market in India

>\$1.5B — **2019 to 2020** Over a dozen transactions in the data centre space valued in excess of \$1.5B

IaaS, SaaS, and colocation are expected to constitute the largest opportunities in the cloud space with IoT & edge computing, serverless and exponential computation emerging as important use cases



Online Gaming

At a screen near you

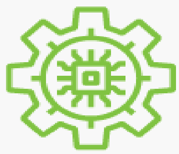
Video games have 'levelled up' - making the leap to nearly every screen, and capturing hearts young and old.

\$2.8B — **By 2022** Online gaming, driven by key segments will reach \$2.8B (growing at 40% CAGR)

10% — Will command a larger portion of the Indian Media & Entertainment industry from current 4-5%

40M — User additions to online gaming by 2022

Powered by multiple ingredients, online gaming is plugged in and rising up the progression curve rapidly.



Intelligent edge

Racing to the edge

As technologies mature and combine, tomorrow's internet will dwarf today's.

\$12B — **By 2021** 5G, hyperscale cloud, and other edge techs will drive a \$12B market (growing at 35% CAGR).

70% — **By 2023** 70% of enterprises will be using the intelligent edge.

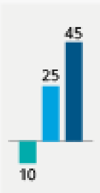
\$16B — **By 2025** The edge data center market will reach \$16B.

Vehicles, VR, and the Internet of Things—faster, cheaper, more secure, and paving the way for the Fourth Industrial Revolution.

Cloud migration

For cloud computing, a sunny forecast

Amid lockdowns, COVID-19 made cloud a rare focus of growth. Soon it will be standard.



In 2020
Total IT spend down 10%, hyperscale cloud revenue up 25%, cloud chip sales up 45%

2x
Cloud internet traffic doubled 2019 volume during the pandemic.

30%
In 2021
Cloud revenue will grow >30% annually through 2025.

$150B
In 2022
Hyperscale capital spending will top $150B.

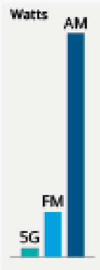
The more the cloud grows, the more space there is to mine it for value creation.

5G and health

Facts versus fears

New 5G cellular networks use far less energy than radio or TV and present no proven health risks. But some people still fear it causes cancer and spreads COVID-19.

13% to 36%
Public perception
13% to 36% of people in 14 countries believe 5G presents health risks.



Power output
5G base station: 100–200 Watts
TV and FM radio: 100,000 Watts
AM radio: 500,000 Watts

FM radio and TV expose people to 5 times the radio energy they absorb from cellular.

5G actually uses less transmitting power than 4G. Clear, consistent messaging will be necessary to overcome myths about its danger.

Open RAN

Proprietary no more

Advanced mobile services will rely on the flexibility of open, virtualized Radio Access Networks (RAN).

70+
By 2021
More than 70 open RAN trials active, doubling current activity.

80%
By 2023
80% of core wireless network deployments will be virtualized.

10x
By 2025
Open RAN share of the RAN market may grow 10 times or more.

History repeats itself as closed gives way to open and hard gives way to virtual.

The digital athlete
A new peak for performance

Athletes everywhere are finding a new edge in data and analytics. How can sports benefit effectively—and ethically?

$500M **In 2019**
$500M lost to injuries in the NFL alone.

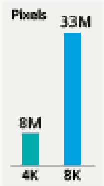
3K **Since 2014**
3,000 sports tech deals.

$150B **By 2024**
Global sports betting will reach $150B.

Leagues will need new policies built on a foundation of openness and trust.

8K TV
Bigger, sharper TVs

The standard for image quality—and bragging rights—is rising yet again.



Specs
4K TV: 8M pixels
8K TV: 33M pixels

$2.5B **In 2020**
8K TV sales total $2.5B.

1M **In 2021**
8K TV sales will reach 1M units (out of a total 220M-unit market)/ $3.3B and rising.

$1.5K 8K sets will average $3,300 but entry level will fall to $1,500.

As 8K TVs grow in the market, the cameras and equipment to generate 8K content will grow in parallel.

Digital reality
Virtual gets real

Headsets improve learning, conquer distance, and keep danger away. They're a small market on a fast track.

2x **In 2021**
Enterprise and educational revenue for XR headsets will be twice 2019 levels.

32% Enterprise VR increases productivity 32%.

75% AR training boasts a 75% retention rate.

As pilot projects mature into full deployments, headset hardware will claim a greater percentage of project value

Virtual medical visits

Medicine at a distance

Video doctor consults were "coming soon" for years—until COVID-19. Now it seems they're here to stay.

43% — **In spring 2020**
April Medicare primary visits were 43% telehealth (April 2019: 1%).

40% to 100% — Video consults in France rose 40% to 100%.

5x — **In 2021**
5% of doctor visits will be virtual—
5 times the 2019 level.

$25B — 400M virtual visits will represent $25B.

Advancements in app-based diagnostics along with main streaming of virtual consulting will evangelize healthcare pan India.

To download/ read the complete report, please [click here](#).

About Deloitte's CFO Programme

The CFO Programme brings together a multi-disciplinary team of Deloitte leaders and subject matter specialists to help CFOs stay ahead in the face of growing challenges and demands. The programme harnesses our organisation's broad capabilities to deliver forward thinking and fresh insights for every stage of a CFO's career – helping CFOs manage the complexities of their roles, tackle their companies' most compelling challenges, and adapt to strategic shifts in the market.

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